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Talks Continue in Geneva; Cease-Fire Signed

Karadzic 'Pessimistic' on Cease-Fire

AU0806120794 Paris AFP in English 1110 GMT 8 Jun 94

[Text] Geneva, June 8 (AFP)—Bosnian Serb leader Radovan Karadzic said Wednesday he was pessimistic about the chances of a scaled-down UN ceasefire proposal. "This is a mere ceasefire. We have had many many ceasefires that did not work," Karadzic said about the latest proposal submitted at talks in the Swiss city to end fighting in Bosnia-Hercegovina between a Moslem-Croat alliance and the Serbs.

"We are here to sign a cessation of hostilities agreement. Ceasefires can be signed at the Sarajevo Airport," he said. He said he had "not too many hopes" because the international community was "very permissive towards the Moslems."

UN envoy Yasushi Akashi said he would offer Bosnia's warring parties a scaled-down ceasefire proposal Wednesday in a concession to Bosnia's Moslem government. Akashi confirmed that the length of the truce remained the main obstacle in negotiations between Bosnia's Moslem-Croat alliance and Serb forces. Aides said his offer involved a two-month truce, compared to the initial proposal of four months which the Bosnian Government has rejected.

The head of the Bosnian delegation, Bosnian Vice President Ejup Ganic, said before talks resumed Wednesday that Akashi had proposed a four-week renewable truce—the length sought by the country's Moslem-Croat Federation. Ganic said Akashi was proposing that at the end of the four-week ceasefire a further extension could be decided if there was progress in separate political and territorial discussions among the warring parties. He called the offer "very constructive" and a "very promising" proposal.

Ganic Comments on UN Proposal

AU0806134394 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1300 GMT 8 Jun 94

[Text] [Announcer] Esteemed listeners, at this moment we have Ejup Ganic, member of the Bosnia-Herzegovina Presidency and vice president of the Bosnia-Herzegovina Federation, on the line. Mr Ganic, please inform our listeners about [words indistinct] the negotiations in Geneva:

[Ganic] The negotiations yesterday lasted late into the night. (?This morning they) resumed at 1100 and at this moment—it is approximately 1500—we are still here in the UN building. (?The UN) team, which is lead by Yasushi Akashi, came out with (?an entirely new) proposal by which [words indistinct]. This is a sort of proposal that envisages [words indistinct] sides. This is first. Second, it [words indistinct] a plan to gather heavy arms and naturally a more permanent cease-fire that would be a result of perhaps wider talks and elaboration of the details that (?are accompanying) the negotiations, which assumes [words indistinct] exchange of prisoners and exchange of information about missing persons. The UN Protection Force agrees to further supervise and monitor the situation in Bosnia-Herzegovina. Therefore, in brief this is a UN proposal (?aimed at) halting military operations for the period of one month, with the commencement of [word indistinct] time.

We informed Mr. Akashi that as concerns us such a proposal is acceptable on the condition that it will not slow down the peace process. As regards our side, that is, the state delegation of Bosnia-Herzegovina, Mr. Akashi is satisfied with our stance, that is to say, [words indistinct] UN are satisfied with our stance [words indistinct] (?formulated by UN). Therefore, this involves [words indistinct] a month.

'Full Text' of Signed Accord

AU0806165894 Paris AFP in English 1650 GMT 8 Jun 94

[Text] Geneva, June 8 (AFP)—Following is the full text of the proposal drafted by UN special envoy to the former Yugoslavia Yasushi Akashi and signed at talks here on Wednesday by both sides to the Bosnian conflict, the Bosnian Serbs and the Moslem-Croat federation.

1. As a first step towards a comprehensive cessation of hostilities throughout Bosnia and Herzegovina, both sides in the conflict agree not to engage in any offensive military operations or other provocative actions of any kind for a period of one month starting from June 10, 1994 at 1200 hours local time.

2. This period of military stabilization is required in order to give time for reflection leading to a resumption, within the next several days, under UNPROFOR [United Nations Protection Forces] auspices, of negotiations on a comprehensive cessation of hostilities. Meanwhile, the immediate and complete release of all persons including prisoners of war, and of all information already available on persons whose whereabouts are unknown, as soon as possible under the supervision and in accordance with the plan of action of the ICRC, will be implemented.

3. UNPROFOR will continue to monitor and report all military activity along the present line of conflict.

Signing the agreement for the Serbs was Vice President Nikola Koljevic. For the Moslems it was Vice President Ejup Ganic and for the Croats Mile Akmadzic. Akashi also signed the accord.

Butrus-Ghali, Karadzic on Accord

LD0806172894 Belgrade TANJUG in English 1639 GMT 8 Jun 94

["Pool" item]

[Text] Geneva, June 8 (TANJUG)—U.N. Secretary-General Butrus Butrus-Ghali described as relative success the accord on the one-month cessation of military activities in Bosnia-Herzegovina signed in Geneva Wednesday. This document came as a compromise which at the last moment saved from fiasco the conference which the Moslem-Croatian delegation for the first four days boycotted and then blackmailed to the end.

According to a U.N. spokesperson in Geneva, Butrus-Ghali set out that the accord was only the first step towards achieving lasting cessation of hostilities and finding a generally acceptable political solution in Bosnia-Herzegovina.

Head of the Bosnian Serb Republic (R.S.) delegation Radovan Karadzic said prior to the official announcement on signing the accord that the Serb side has once again demonstrated its sense for reaching compromise, but expressed doubt this would set the Moslems on course to peace and understanding.

Karadzic: Serbs 'Not Treated Equally'

LD0806175194 Belgrade TANJUG in English 1720 GMT 8 Jun 94

["Pool" item]

[Text] Geneva, June 8 (TANJUG)—Bosnian Serb Republic (R.S.) President Radovan Karadzic said Wednesday that partial solutions, such as the signing of ceasefire accord for one month, pushed towards war and did not represent a basis for peace in Bosnia- herzegovina. He told reporters that the Serb side was once again not treated equally.

The accord—signed Wednesday by U.N. special envoy Yasushi Akashi and Vice-Presidents of the Moslem-Croatian Federation in Bosnia-Herzegovina Ejup Ganic and the Bosnian Serb Republic (R.S.) Nikola Kolrevic—envisage the two sides refrain from engaging for a period of one month in any military activity beginning June 10 at noon local time.

The signed document, as set out in Geneva, in no way (?completed a platform) with which, under Akashi's proposal, the conference opened and according to which an accord was to have been signed for four-month ceasefire period, as the basic pre-condition in finding a comprehensive political solution to the Bosnia crisis.

The Serbs have from the outset of the conference requested a lasting ceasefire, while the Moslem Croatian delegation first boycotted for four days the talks, under the pretext that armed Serbs did not leave the three-kilometer exclusion zone around Gorazde, a Moslem enclave in eastern Bosnia, as set out in the U.N. Resolution No.913. When the Moslem observers and U.N. members on the spot confirmed that armed Serbs have left the said area, Ganic said he would accept only talks on a four-week ceasefire.

The signed accord, clearly designed to suit the Moslem side, was taken in Geneva as the first step towards a comprehensive cessation of hostilities, something, as set out, about which the warring parties would continue discussions over the next few days. All this, of course, on condition the Moslems indeed intended ever to join in earnest talks on peace and adhere to the signed documents, including this one signed Wednesday in Geneva.

The accord envisaged the warring sides carry out an exchange of prisoners and release all captured persons on their respective territories as well as submit to the Red Cross lists of missing persons. This process is to be scrupulously supervised [word indistinct].

Ganic Comments on Cease-Fire Talks

LD0806223294 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 2000 GMT 8 Jun 94

[Text] Following the conclusion of the Geneva negotiations today, Ejup Ganic, head of the Bosnia-Herzegovina delegation and vice president of the Federation of Bosnia-Herzegovina, made the following statement for Bosnia-Herzegovina Radio and TV:

[Begin Ganic recording] The delegation acted in accordance with the Assembly guidelines. We fought in a diplomatic way for the principles laid down by the Assembly. A few days ago, Karadzic's troops withdrew from the 3-km zone around Gorazde—these were soldiers, armed civilians, police, all his army in various shapes and forms. Having seen that this condition had been met, we began talks and a cease-fire agreement was reached which rules out any offensive operations for a one-month period.

I must say straight away that huge pressure was exerted on our delegation for days to sign a four-month cease-fire, or for an even longer period. However, we did not agree to free the Serbian side from the obligation to negotiate peace, while on the other hand we did not agree to sit and wait for winter. Huge pressure was exerted on us. We fought with arguments—we only had foreign journalists on our side.

Every day we made public statements and we compared the situation: Our citizens know that several days ago Europe celebrated D-Day, when the allies landed in Normandy to have a showdown with Hitler, a showdown with fascism. I said that nowadays we, the unarmed Bosnians, are trying to have a showdown with a resurrected fascism. I called on the European public to unite as they united then against fascism. We cannot do that job unarmed. That virus of ethnic cleansing and genocide, which the international community has nurtured in Bosnia by ignoring the aggression of Serbian fascism, is now spreading throughout the world, causing real chaos.

In other words, a parallel was drawn between what happened during the Normandy landing and the final showdown with fascism, and these negotiations here. Many correspondents were in fact on our side, interpreting our stands, so an agreement on a four-week cease-fire was finally reached, as we proposed in the beginning.

A new stage in the negotiations—a new kind of talks directed at reducing the military potential in Bosnia—will be formulated soon. This primarily regards the removal of heavy weaponry, in the event the embargo on arms sales to Bosnia's Muslims is not lifted, then—if the world believes that too many weapons cause too much war—the formula less weapons, less war, should be applied, which means that the Serbian regime and its army should be disarmed. We shall be formulating a new [word indistinct] for such talks in a couple of days, and this has been agreed. [end recording]

Commentary on Albania's Position on Kosovo

AU0806094894 Lezhe KOHA JONE in Albanian 4 Jun 94 p 3

[Commentary by T. Cela: "Caution and Speculation Over the Kosova Issue—Serbs Propose Dialogue Between Foreign Ministers"]

[Text] Something is moving in Serb Albanian relations. This time, as TANJUG reported on 2 June, it is the self-styled Yugoslavia that wishes to suggest to Albania the start of a dialogue at foreign-minister level. The Yugoslav Government outlined relations between the two countries and entrusted the Foreign Ministry with "renewing the proposal for dialogue."

Dialogue between Prishtina and Belgrade began to take up column inches in the press especially after the visit of the British minister Douglas Hogg, who announced after his talks with the Serbian leader Milosevic that the latter was ready to talk with representatives from Kosova about the restitution of some kind of autonomy similar to that of 1974, while stressing again that he categorically cannot allow a change in the borders of Yugoslavia.

The two Albanian leaders Rugova and Berisha showed a readiness for dialogue months ago, but always conditional on the presence of a third party. Meanwhile, Rugova is continuing his visit to a series of European countries, holding meetings with high-level officials of these countries, and holding fast to the view of an independent and neutral Kosova. Rugova proposes a civil protectorate as a transitional phase in order to avert conflict.

In this situation, when a gentle, softening breeze has begun to blow across the diplomatic landscape, daily life in Kosova has not changed in the least. In Prishtina, the Serbian police continue to beat and maltreat Albanian political activists. Rugova, speaking to Deutsche Welle, called this repression an attempt to publicly weaken the position of Kosovar diplomacy. Rugova also stressed that it is unlikely that dialogue with the Serbian side will be imminent.

Meanwhile, some British and Serbian newspapers have recently reported secret meetings between some Albanian and Serbian representatives at a foreign embassy. According to these newspapers, these talks have involved the Serbian Socialist Markovic, the Kosovar journalist and intellectual Veton Surroi, and Fehmi Agani, deputy Chairman of the Kosova Democratic Alliance. It is said that Markovic proposed to these two Albanians talks about education and health, etc., with the aim of normalizing relations between the Republic of Serbia and the Albanians of Kosova. All these proposals contradict what is happening in Albanian everyday life, and it seems that Rugova is right when he says that "The Serbs want to publicly weaken our position."

The British newspaper THE GUARDIAN quotes one Western diplomat as saying "There are movements of several kinds, but it sometimes seems to me that we are trying to bore a tunnel with a needle."

The Kosovar leader Agani, said to have taken part in the secret talks, nevertheless recently said that "If we are told that we must be part of Serbia, this is the same as telling us to continue to suffer under Serbian rule. This idea has no future." Agani thus conclusively proved that he continues to be Rugova's right-hand man.

In the meantime, Albania, although its parliament unanimously recognized the Republic of Kosova, is showing itself to be increasingly cautious in its statements. The only joint statement issued by Albanian and Kosovar leaders and diplomats is that "Albania favors Albanian-Serb dialogue, in the presence of a third party." This caution in Albanian policy is a result of a kind of pressure exerted by international diplomacy on Albania, so that Albania may exert influence in softening the Albanian radical factions across the border. At a news conference one week ago, the Albanian Sooialist leaders called the policy over the issue of Kosova pursued by the leaders in power today a failure. However, this cannot be said now that Tirana is following from behind the steps of international diplomacy concerning the destiny of Kosova, and has conflict avoidance as the foundation of its policy.

Article Accuses Greece of 'Raising Tensions'

AU0806123694 Tirana RILINDJA in Albanian 31 May 94 p 2

[Commentary by Ruzhdi Demiri: "The Darling of Europe Destabilizes the Balkans"]

[Text] As international bodies step up their efforts to solve the disputes that have arisen as a result of the bloody wars among the Slavic peoples inhabiting the area of what was Yugoslavia, and as optimism grows among the United Nations, the EU, and NATO for an end to the war in Bosnia, certain Greek political circles are becoming increasingly short-tempered. Politically, this has been evident in rising political tension in the region, an embargo and blockade against Greece's neighbors, the toleration of acts of aggression on neighboring territory such as the case of Peshkepi near Gjirokaster, and the training of Kurdish terrorists for action on Turkish territory. The last two represent acts of aggression against sovereign states. Most recently, there have also been serious threats of a possible Greek-Albanian war from Greek politicians on both the governments and the opposition sides, as the Greek politician Militiadis Evert said. The question arises of wily, despite the Commitment of international bodies (of which Greece herself is a member) to ending the war in the Balkans, every move by Greece conflicts with this commitment. In fact, Greece has used all its resources, through various forms of covert action, to exacerbate regional tensions and to create the kind of relations that could lead to open war with its own neighbors of Albania, Macedonia, and Turkey.

What Makes Greece So Tetchy?

Many commentators and analysts have seen the Greek Government's decision to suspend dialogue with Albania and to cancel the preparatory meeting for the talks between the two Greek and Albanian foreign ministers as part of Greek cooperation with the official policy of the Serbs, who aim to distract attention from their brothers in Bosnia to the south of the Balkans: Serbian policies are also, with Greek help, destabilizing Macedonia, which is not developing regional cooperation to the taste of Athens and Belgrade. Those who make such claims may be quite right.

However, if one thinks of Greece's position in Western institutions such as the MU and NATO and the status and economic, political, and diplomatic benefits that flow to Greece from membership in these institutions, it is difficulty to believe that Greece does not have its own strategic interests, not necessarily connected and coordinated with Serbian strategic interests. The question arises of why Greece is so tetchy at a time when a model for solving the question of Bosnia is being formed, and, second, why Greece always expresses this tetchiness whenever the issue of Kosova is broached, as now when there is so much talk about the start of Albanian-Serbian talks and about international bodies opening their files on Kosova?

It is interesting to note that after the statements by Berisha and Rugova about talks with Belgrade in the presence of an international third party, after Berisha's visit to Turkey and Bulgaria and his recent meeting with Gligorov, Greece has been intensifying its destructive tendencies toward her northwestern neighbor. Greek policies and their interests are in accordance with the current expansionist policies of Serbia. However, the repeated creation of crises with Albania, in cyclical form, by the Greek state and Greek political groups of all colors leads one to suspect that Greece, in the strategic sense, is not always in accordance with the policy of Belgrade. The possibility of a start to solving the Kosova question represents something still more serious for this anachronistic Greek policy, and the possibility of even a formal rapprochement between Serbia and the Albanians terrifies both members of the government and the opposition in Greece.

In Serbia, despite the prevailing chaos, chauvinism, and war fever, various statements have been issued here and there calling for a revision of Serbian policies toward the Albanians, such as the recent statement by Dr. Ratko Markovic, the compiler of all Milosevic's constitutions in recent years, who spoke of a possible reorientation of Serbia toward the Albanian factor through economic cooperation on the Adriatic highway. Intellectuals who were standard-bearers of the idea of Greater Serbia, from Cosic to Ljubomir Simovic, are also calling for a revision of megalomaniac Serbian policies. Simovic has come out in favor of "a new, real, and objective definition of ourselves," and for a realistic position for the Serbian nation in the represent time of general national realignment.

Fear of Solitude

There may be full justice on the side of those who think that Greece is frightened of a major Serbian turnaround after the issue of Bosnia is solved, a turnaround that will result in Serbia's return to cooperation and a Serbian demand for integration on the East-West axis, an axis in which the new Italian prime minister Berlusconi explicitly expresses Italy's interest as he received Macedonian Prime Minister Crvenkovski. Greece appears to be worried at the possibility of being "left by itself."

Thus, when the international community discourages Serbia is its aggressive policies Greece attempts to embolden Serbian aggression again, even more than the interests of the Serbs in this direction demand, by tolerating terrorism and enforcing blockades and embargoes against her neighbors. This is what the Greek Government has done in its anti-Albanian decision to block 35 million ECU's from the EU, which were earmarked for Albania's financial policy. This is what Greece has done in Evert's threats of war, and so forth.

All these things mark out Greece as the most destabilizing factor in the Balkans after Serbian militarism, and a factor that could ignite the spark of a war that would be the overture to a general Balkan conflagration. The question is how long the international community will tolerate Athens' duplicity. In all probability, a general opening up of everybody toward everybody else in the Balkans will not suit Greek ruling circles for their own internal reasons. It is well known that Greece in recent decades received largescale economic aid from the West as a bulwark against communism in the East. However, the Greek ruling families like those of Papandreou, Venezilos, Mitsotakis, and Kalderis have still not accounted for how all this aid was spent and where it went, when the Greek economy is known not to be in terribly good shape even today.

If there is any truth in these opinions, Greece, thanks to its own government and ruling circles, might be left out in the cold, with or without its current ally Serbia, when the Balkans are redirected and integrated into the new world order and when the exploitation of the East-West axis begins. The second variant, more beneficial to the Greek people and state, would involve Greece's integration in intra-Balkan cooperation, in an area in which no visas would be required and there would be unrestricted movement of goods, people, and ideas. However, for the almost feudal Greek families who still hold sway, this would mean accounting for the profligate expenditure of the large-scale Western economic aid and for the political and diplomatic errors that resulted in the loss of Cyprus and the creation of hatred and tension between the Greek people and their neighbors, which could have repercussions for decades to come. Greece can no longer threaten the existence of any state in the Balkans, thanks to the new balance of power that is in greater equilibrium than at any time during the last seven or eight decades. On the contrary, it can only weaken its own position and hasten the decomposition from within of the Greek state, in which Macedonians' Bulgarians, Vlachs, Albanians, and trucks have now begun to demand the affirmation of their own national characteristics.

Neither Macedonia with its flag of Philip of Macedon nor Albania, "friend of the United States, Germany Turkey, and Italy," pose a danger to the future of the Greek state, but only Greek state policy itself, which, as we have seen, is detrimental to the citizens of Greece itself, as far as the borders with Greece's neighboring states are concerned, and with its toleration of the racism of different political groups toward neighboring peoples. Albania and the Albanians may for the moment be prevented from receiving $30-40 million of European aid, but it is the Greek people themselves who will eventually pay the price for Greece's feudal government, as they paid in Cyprus and elsewhere.

Arrested Greek Activist Held U.S. Passport

AU0706181294 Tirana POPULLI PO in Albanian 1 Jun 94 p 2

[Unattributed article: "Who Is the American, a Spy Linked to 'Omonia'?"]

[Text] By the end of last week, RTSh [Albanian Radio-Television] said six "Omonia" [political organization of Greek minority population in Albania] activists—in actual fact the official communique said five—were not charged with anticonstitutional offenses, but with espionage activities in favor of Athens. Strangely enough, this announcement had its roots in the U.S. State Department, whose spokesman turned up before the journalists and made known his country's stance toward the controversy between Albania and Greece.

The strangest thing though was to hear the same spokesman declare that a U.S. citizen was enmeshed in these espionage activities linked to the Greek intelligence service, and that the U.S. Government gave the Albanians a free hand to treat him without the slightest hesitation according to their laws.

RTSh has been manipulating this event in a disgraceful way, trying to show that the United States is so close and friendly to us that it cares neither for its old ally—Greece—nor for its own citizen. This is a shameless bluff. In actual fact, there is no U.S. citizen at all embroiled in the sensational "Omonia" affair. "The U.S. citizen," victimized by Washington, first and foremost is an Albanian citizen who has an Albanian passport, because he was born and grew up in this country. Second, he has a Greek passport because, by nationality, he belongs to the Greek minority in Albania, and finally he is a U.S. citizen because, a year ago, he was issued a passport of that country, where he has stayed perhaps less than a month altogether. This is the man, Mr. Theodhori Bezhani, whom the State Department's spokesman said Albania could treat according to its law. This the reason why now it turns out that there are six and not five "Omonia" arrested activists, because Th. Bezhani is alternately counted now as Albanian and now as American (in fact he should have been counted also as Greek, but it would have boosted the number to seven).

Now everything is O.K. with us, because even spy networks are to be discovered for us by the United States, and there is no need for any of us to work in this direction....

Minister of Labor Sees Economy Improving

AU0406153094 Tirana SINDIKALISTI in Albanian 18 May p 3

[Interview with Dashamir Shehi, minister of labor and social welfare, by A. Manaj in Tirana; date not given: "'Shock Therapy'—Albania's Economic Revival!"]

[Text] [Manaj] Mr. Minister, recently Mr. Berlusconi announced, in the name of the Italian Government, the creation of 1 million new jobs. What would you say about our government's plans in terms of employment?

[Sheqi] For the year 1994, the government has planned to employ around 60,000 people who are at present jobless or receiving social assistance. Speaking about planning, we do not have in mind the outdated plans of the centralized economy. For example, this year 13 billion leks have been earmarked for public investments, 4.6 million of which come directly from the state budget and the rest is funded by foreign investors and international bodies. The aforementioned figure originates from the 10-percent economic growth envisaged for this year. It is equal to last year's growth, when 60,000 vacancies were filled in the private sector alone and public investments accounted for only 4 billion leks.

Also, the employment structure, which is the most important thing, will change this year. Last year, the largest number of vacancies was in the private sector and the rest in the production sphere. By contrast, quite the opposite is happening this year. It highlights the fact that this is the first year when, after a long-running break in production, we will witness an increase in industrial production, as a result of small- and medium-size privatization of state-owned enterprises. Meanwhile, as planned, unprofitable enterprises will continue to be closed down.

[Manaj] What does the new employment structure involve?

[Shehi] Highway construction is one of our labor fronts, but despite its considerable value, during this construction period it will not be the most important. The main stage in creating new jobs will begin after completion of the highways with the setting up of petrol supply points, motels, hotels, restaurants and factories like the brewery and Coca-Cola factory recently opened in Tirana, and so on. By and large, there is a new climate favoring employment. Our government's plans offer a relatively large number of alternatives.

[Manaj] What would you say about the 100-percent inflation indexation approved at the recent government-BSPSH [Union of Independent Syndicates of Albania] meeting?

[Shehi] We reached agreement on this problem, and within this framework work is under way for setting up a working group that will go into the indexation details that will take the form of a law or an agreement. As far as our government is concerned, it is, in this respect, in favor of an agreement.

[Manaj] How do you see prospects for our county's northeastern area, regarding economic growth and employment?

[Shehi] We see this as being closely linked with the plans that various international economic organizations have to alleviate the hardship of this poor rural area, whose problems are actually aggravated as a result of the secluded political aura in which it is shrouded. In this respect, we see the improvement of its road network, and the development of its timber industry and geology—as for the latter we can mention here our government's recent agreements on the creation of the "Albakri" [Albanian copper] joint venture—as possibilities offered to this area for the solution of a number of its economic problems. Likewise, on this front, we are continuing negotiations on the establishment of the "Albkrom" joint venture. As for the BSPSH leader's request to the government to pass a law alleviating the impact of electricity price hikes, in this region it is not a matter of general measures but of a specific one related to the coal branch. By this measure, the government returns some kind of support to this branch.

[Manaj] What stage has the work of drafting the labor legislation reached?

[Shehi] We have entered the final stage of working out the Labor Code, and we are looking forward to passing it on to Parliament for approval before the summer vacations. The labor legislation, however, cannot be considered complete, unless several groups of legislation, for various reasons, are consolidated, and it will take a considerable time to do all this, including the contracts in the state budget sector and those dealing with the status of state employees. We think that Albania will have the basic part of its Labor Code approved by the end of 1994, which will be enough to enable us to proceed further with this activity.

Agreement To Repay Former Soviet Debt Approved

LD0806191894 Prague Radiozurnal Radio Network in Czech 1630 GMT 8 Jun 94

[Excerpt] [passage omitted] At its session today, the Czech Government approved an agreement on repaying the former Soviet Union's debt to the Czech side.

[Begin Prime Minister Klaus recording] The government is aware that this is the maximum possible that could have been achieved at the moment. As someone has so pointedly said, the government is happy with a sparrow in the hand, although some people may have hoped for a fat pigeon—not even on the roof but in the skies. The results and advantages of this solution are very considerable indeed. [end recording]

According to Klaus, the size of the debts involved, the interest rates, and the schedules have all been definitively agreed upon. According to the agreement, our Republic should receive $52 million by the end of this year, $100 million in 1995, and almost $400 million in 1996. [passage omitted]

Daily Publishes Extracts of Benes Decrees

AU0806165394 Prague DENNI TELEGRAF in Czech 26 May 94 p 5

[Unattributed article: "What the Benes Decrees Actually Are"]

[Text] Theo Waigel, federal finance minister and chairman of the Bavarian Christian Social Union, demanded at the Sudeten German Days, which were held last weekend, that the so-called Benes Decrees be annulled. All Czech political representatives have rejected this demand as unacceptable. Foreign Minister Josef Zieleniec even declared that complying with such efforts would mean "revising the outcome of World War II, with all of the repercussions arising from it."

Of course, the "Benes Decrees," rejected by the Sudeten Germans, in fact represent only part of the several dozen legislative acts that altered the entire legal being of the Czechoslovak establishment, acts that cannot simply be annulled in toto if we do not want to risk legal chaos. The common denominator of these decrees was President Benes, who issued them from 1940 onwards—of course, only after listening to the government in exile and the so-called State Council, which supplemented legislative authority. The Council was abolished after May 1945, and the decrees were issued on the recommendation of the government and the Slovak National Council [SNR]. Following the elections to the Interim National Assembly in October 1945, legal order was guaranteed by normal laws.

Today, we bring you select sections of these decrees that concern the actual issue of the evacuation of the Sudeten Germans.

Decree Issued by the President of the Republic on 25 October 1945 on Confiscating Enemy Property and on National Revival Funds

On the recommendation of the government and after agreement with the Slovak National Council, I decree the following:

Part I

The Confiscation of Enemy Property

Article 1. The definition of confiscated property is as follows:

(1) Real estate and chattels—namely, property rights (such as outstanding claims, bonds, deposits, intangible rights)—that, on the day of the factual termination of the German and Hungarian occupation, was or still is in the ownership of the following is confiscated without compensation, unless this has already occurred, on behalf of the Czechoslovak Republic:

i. The German Reich, the Kingdom of Hungary, persons of public law in accordance with German or Hungarian law, the German Nazi Party, Hungarian political parties, and the other associations, organizations, enterprises, facilities, personal affiliations, funds, and endowments of these regimes or associated with them, and also other German or Hungarian legal persons, or

ii. Physical persons of German or Hungarian ethnicity, with the exception of persons who prove that they remained loyal to the Czechoslovak Republic and never committed an offense against the Czech and Slovak peoples and either took an active part in the struggle for their liberation or suffered under the Nazi or fascist terror, or

iii. Physical persons who were involved in activity oriented against the state's sovereignty, independence, and integrity, the democratic-republican state structure, and the security and defense of the Czechoslovak Republic, who aided and abetted such activity or sought to corrupt other persons, who deliberately supported in any way the German or Hungarian occupiers, or who, during the period of heightened risk to the Republic (Article 18 of the decree issued by the president of the Republic on 19 June 1945 on punishing Nazi criminals, traitors, and their supporters and on the extraordinary people's courts), indulged in Germanization or Magyarization on the territory of the Czechoslovak Republic or behaved inimically toward the Czechoslovak Republic or the Czech or Slovak peoples, and also persons who condoned such activity among the persons administering their property or enterprise.

(2) The stipulations contained in Paragraph 1 No. iii also apply to legal persons if it is possible to attribute blame to the physical persons who are their members or who are shareholders in the property or enterprise (capital participants) for the course of action of the body representing the legal person or if these persons did not take appropriate caution in electing and supervising it.

(3) All of the property that, in the period after 29 September 1938, belonged to the entities cited in Paragraphs 1 and 2 and was, during the pertinent period in accordance with Paragraph 1, first sentence, or, respectively, still is in the ownership of persons in whose care it would not be subject to confiscation is also subject to confiscation.

(4) The relevant district national committee will decide if the conditions for confiscation have been fulfilled in accordance with this decree. The decision can be delivered by a public edict, even though the preconditions of Article 33 of the government regulation issued on 13 January 1928 on the procedure in matters that pertain to the activity of political offices (administrative proceedings) have not been fulfilled. It is possible to appeal to the land national committee (to the relevant SNR body in Slovakia) against the decision of the district national committee. The land national committee (the relevant SNR body in Slovakia) may, even during the proceedings, assume control of the proceedings and decide in the first instance on the matter. If the land national committee (the relevant SNR body in Slovakia) makes a decision in the first instance, it is possible to appeal to the Interior Ministry against its decision. The interior minister may further amend the method of decisionmaking by issuing directives in accordance with this article.

Article 2. Exemptions from confiscation and providing compensation:

(1) That part of the chattels of the persons cited in Article 1, Paragraph 1, Nos. ii and iii that is indispensable, for instance, for satisfying vital needs or for the personal performance of the employment of these persons and their family members (such as clothing, bedding, linen, domestic implements, food, and tools) is exempt from confiscation. The government will stipulate by decree the details on the range of this property.

(2) The government may stipulate by decree that the property of a specific group of persons falling under the stipulations contained in Article 1 is exempt partially or wholly from confiscation.

(3) Property that, during the period after 29 September 1938, was forfeited under the pressure of the occupation or as a consequence of national, racial, or political persecution by persons who do not come under the stipulations of Article 1 is not subject to confiscation.

Decree Issued by the President of the Republic on 19 June 1945 on the Confiscation and Speedy Distribution of the Agricultural Property of Germans, Hungarians, and Traitors and Enemies of the Czech and Slovak Peoples

Article 1.

(1) Agricultural property in the ownership of the following is confiscated for the purposes of land reform with immediate effect and without compensation:

a) All persons of German and Hungarian ethnicity, regardless of citizenship;

b) Traitors and enemies of the Republic of any ethnicity and citizenship who manifested this hostility during the crisis and war of 1938-45 in particular;

c) Shareholding and other companies and corporations whose administrations deliberately and intentionally served Germany's conduct of the war or fascist and Nazi purposes.

(2) In accordance with Paragraph 1, the agricultural property of persons of German and Hungarian ethnicity who took an active part in the struggle to preserve the integrity and liberty of the Czechoslovak Republic will not be confiscated.

(3) The relevant district national committee will decide, on the recommendation of the relevant agricultural commission, if it is possible to make an exception in accordance with Paragraph 2. The district national committee will submit borderline cases to the land national committee, which will pass them on, with their expert opinion, to the Agriculture Ministry for a final decision. It will be made in agreement with the Interior Ministry.

Article 2.

(1) Persons who in any census since 1929 have claimed German or Hungarian nationality or who became members of national groups or associations or political parties affiliating persons of German or Hungarian nationality are considered to be persons of German or Hungarian nationality.

(2) Exemptions from the stipulations contained in Paragraph 1 will be determined by a special decree.

Article 3.

(1) The following are considered to be traitors and enemies of the Czechoslovak Republic:

a) Persons who collectively or individually were involved in activity oriented against the state's sovereignty, independence, and integrity, the democratic-republican state structure, the security and defense of the Czechoslovak Republic, who aided and abetted such activity or sought to corrupt other persons, and who in any way deliberately and actively supported the German and Hungarian occupiers;

b) Of legal persons, those whose administration deliberately and actively served the German or Hungarian conduct of the war or fascist and Nazi purposes.

(2) The land national committee in whose jurisdiction the property concerned is situated will, in accordance with a recommendation from the relevant district national committee, decide if the physical or legal person falls under the stipulations contained in Paragraph 1, Letters a) and b). The land national committee will submit borderline cases to the Agriculture Ministry for a final decision. It will decide in agreement with the Interior Ministry.

Decree Issued by the President of the Republic on 21 June 1945 on Punishing Nazi Criminals, Traitors, and Their Supporters and on the Extraordinary People's Courts

Chapter I

Crimes Against the State

Article 1.

Whoever, during the period of heightened risk to the Republic (Article 18), committed on the territory of the Republic or outside it any of the following crimes in accordance with the Law on the Protection of the Republic of 19 March 1923 faces the death penalty:

plots against the Republic (Article 1) (...) [as published]

Chapter II

The Extraordinary People's Courts (henceforward MLS)

Article 21.

(1) It appertains to the MLS to judge all crimes punishable in accordance with this decree if the persons cited in Article 2 and Article 3, Paragraph 2 are criminally answerable for them as the culprits, fellow-culprits, fellow-guilty, participants, or aiders and abettors; if other persons are criminally answerable for them, the MLS will try them if a public prosecutor recommends that they be prosecuted by them (Article 24).

(2) The local authorization of the MLS is determined by the regulations contained in the criminal codes valid in the Republic.

The composition and site of the extraordinary courts.

Article 22.

(1) The MLS executes its authority in five-member senates made up of a chairman, who must be a judge by profession (civil or military judge), and four popular judges.

(2) The MLS advocates, their deputies, and the professional judges (Paragraph 1) are appointed by the president of the Republic on the basis of a government recommendation from a list of persons drawn up for this purpose by the district national committees. The government will appoint the popular judges from other lists drawn up by the district national committees.

Article 23.

During voting, the popular judges will vote first, with the older ones voting before the younger ones.

Article 24.

(1) The MLS public prosecutors are appointed by the government or entrusted by it by the justice minister for a specific period, for specific cases, or for the entire period of the court's activity from among prosecutors or other persons who have gained a doctorate of laws or have taken three state legal examinations or at least the state judicial examination and are on the lists drawn up for this purpose by the district national committees.

(2) The public prosecutors attached to the MLS are subordinate to the justice minister.

Article 25.

(2) If the accused has been freed by the verdict of the MLS, this does not preclude his prosecution by the relevant regular court or, as the case may be, by a state court in accordance with Law No. 68/1935 or by the relevant regional court responsible for trying military treason in accordance with Law No. 130/1936 and Government Decree No. 238/1937. This court will consider the issue again in regular proceedings in which the significant legal stipulations of this decree (Articles 1-20) apply as if the culprit had been brought before a regular court immediately beforehand (Article 21). The recommendation that such proceedings be instituted against the accused, however, must be submitted within three months at the latest from the day of acquittal.

Article 26.

(1) Proceedings before an extraordinary people's court are initiated on the recommendation of the public prosecutor (Article 24). Pregnant women will not be brought before the extraordinary people's court during the term of their pregnancy.

(2) The entire proceedings against an accused individual will take place, where possible, without interruption from the beginning to the end before the MLS; the proceedings against the accused individual must not last more than three days.

Article 31.

(1) There are no legal remedies against the verdict of the MLS. A request submitted by anyone for a reprieve has no suspensive effect.

(2) The death penalty will be carried out, as a rule, within two hours of the verdict's being delivered. This term may be extended by a further hour at the request of the condemned. If the proceedings were held in the absence of the accused, the death sentence will be carried out within 24 hours of the apprehension of the accused.

(3) The MLS may also decide that the death penalty is to be carried out publicly. This will be done especially if the callous way in which the crime was committed, or the perverted nature of the culprit, or the number of his crimes, or his standing warrant the public implementation of the verdict. In this case, the court may, in order to accommodate the public in the implementation of the punishment, extend the two-hour deadline, but for no longer than 24 hours.

Moravcik: Early Elections 'Extremely Necessary'

AU0806173494 Bratislava SMENA in Slovak 4 Jun 94 p 2

[TA SR report: "Do We Have a Firm Grip on It?"]

[Excerpts] Bratislava—In an interview for Slovak Radio, Prime Minister Jozef Moravcik described the early elections in the Slovak Republic as extremely necessary. As far as the crisis in parliament is concerned, he is of the opinion that the Movement for a Democratic Slovakia is to blame for the situation. [passage omitted]

In the interview, Moravcik also responded to a REUTER report on the problems within the Slovak banking system. According to him, the Slovak Government will take measures to ensure that the situation depicted in the agency's inaccurate report does not arise. He described the banking system as the economy's nervous system. The Slovak Government intends to keep it in order. "Everything indicates that we have a firm grip on the situation and that there is no danger," he said.

Meciar To Quit Politics If HZDS Loses

AU0806190094 Bratislava NARODNA OBRODA in Slovak 6 Jun 94 p 16

[Interview with Vladimir Meciar, chairman of Movement for a Democratic Slovakia, by an unidentified correspondent; place and date not given; reprinted from EXTRA SLOVENSKO No. 22: "One Hundred New Priorities"]

[Text] [EXTRA SLOVENSKO] If the Movement for a Democratic Slovakia [HZDS] wins the elections, what course will its program pursue?

[Meciar] Many issues have been resolved compared with 1992. Slovakia has become an independent state, and its foreign policy orientation is also clear. The transformation process is continuing. It is necessary, first and foremost, to deal with economic issues. Our domestic conditions also need to be arranged afresh. If we win the elections, we will have new policy priorities in the HZDS. Our strategy is changing; the next four years will require something different from what it has been up to now.

[EXTRA SLOVENSKO] If you were to win the elections, would you sever all links to the current government, or would you carry on with the things you consider to be good?

[Meciar] This government has made several mistakes. It has halted the construction of the state and the state administration. It has, admittedly, implemented a verbal continuity, but, in fact, it prefers a different strategy for economic life. While we chose the strategy of recovery, it is proceeding toward a strategy of restriction. It favors a different form of privatization; it is returning to what was rejected in 1993. So, we could not follow up on this. We would have to go back to 1992.

[EXTRA SLOVENSKO] If you were to lose the elections, would you leave politics?

[Meciar] Probably, yes. I am offering the citizen an alternative. If you do not want it, fine, you have others.

[EXTRA SLOVENSKO] Why do you not have a good personal image in many countries? What do you intend to do to change this situation?

[Meciar] First and foremost, if we win the elections, the Foreign Ministry has to improve. Every state and its representatives make a name for themselves abroad via the professionals, which is something I personally have not made use of yet. We also never had a foreign lobby, although the potential for organizing one from among Slovaks is great. We never knew how to address them properly. We have to change this.

Impact of Parliament Vote on Government Stability

AU0806201694 Bratislava SME in Slovak 4 Jun 94 p 2

[Article by "bog, rk": "Peter Weiss: Coalition and Hungarian Parties Must Consider Whether To Throw the Country's Political Stability Overboard Because of Emotions"]

[Excerpt] Bratislava—Following parliament's failure to approve the government-sponsored bill on so-called bilingual signposts, we asked representatives of the government coalition and a representative of the Hungarian Christian Democratic Movement [MKDH] how they assess the nonpassage of the bill and whether this failure of the government coalition will not affect the stability of Moravcik's Cabinet.

Peter Weiss, [chairman of the] Party of the Democratic Left [SDL]: It has become apparent that extremists on both sides are incapable of reaching a compromise. In its final form, the bill was in conformity with the most important objections to the original draft that had come from the opposition, while, at the same time, respecting the recommendations of the Council of Europe. After the elections, the bill will have to be passed anyway in approximately the same form in which it is now. Preference was given to preelection tactics because the opposition wants to use the signposts as one of the main themes in its election campaign. A single vote was missing for the bill to be passed. The ability to strike a compromise and to realistically assess the situation should have been demonstrated also on the part of the Hungarian parties. It depends on the political judgment of members of the coalition and also of the MKDH and Coexistence representatives whether political stability in the country will be thrown overboard because of the wave of emotions that has artificially arisen in connection with this law.

Pal Csaky, MKDH: I assess the outcome of the vote as nonobservance of coalition agreements. Independent Deputy Kaliska, who is supposed to be a member of the government coalition, put forward proposals for changes that made the bill's passage problematic. Even deputies representing the government parties voted for these changes. The MKDH deputies all voted in favor of the bill's passage, while three Coexistence deputies did not endorse it because of the two proposals for changes made by Mrs. Kaliska. We are going to raise this problem at a meeting of the Coalition Council, and it could very well happen that this will be the last meeting of the Coalition Council for us. It is still premature to say whether we will continue supporting the government. However, the nonpassage of the bill will have serious political consequences.

Ludovit Cernak, National Democratic Party: Personally, I supported the bill because it seemed to be a compromise and also because Deputy Kaliska's proposals passed, which prevented the possible defamation [dehonestacia] of the names of communities named after Slovak national revivalists. The failure of some deputies of the Hungarian coalition to support the bill surprised me. Thereby, they actually deprived themselves of the argument for the Council of Europe that there was insufficient will in the National Council of the Slovak Republic to adopt this law.

Jan Carnogursky, Christian Democratic Movement: The nonpassage of the bill is unfortunate because it has only made matters even more complicated. Slovakia will have to deal with it again. Apparently, this will happen only after the elections. The reason for the failure to pass the bill was, in my opinion, the exclusion of communities named after Slovak historical personalities from the bilingual regime. Three Hungarian deputies did not vote for the bill because of this. However, some coalition deputies did not vote for it, either. This will not directly influence the functioning of the coalition, but it will complicate the government's position. [passage omitted]

Duray Hopes Hungary Continues Antall's Policy

AU0806194294 Bratislava PRAVDA in Slovak 4 Jun 94 p 12

[TA SR report: "Duray Still Hopes"]

[Text] Budapest—Miklos Duray, chairman of the Coexistence Movement, sent a congratulatory letter to all Hungarian parties that had won enough votes in the elections to get into the new Hungarian parliament. He expressed the hope that, in the years to come, all Hungarian deputies would adopt a more responsible attitude toward the 15 million Hungarians and would continue without disruption to implement the consolidated [jednotna] Hungarian policy. In the opinion of Duray, one can therefore "rightly expect that each Hungarian government will consider it its duty to support ideas formulated by the legitimate representatives of Hungarians living abroad, in the same way Antall's government did." In contrast to other ethnic Hungarian politicians, Duray addressed his congratulations to all parliamentary parties and not to the chairman of the victorious Hungarian Socialist Party (MSZP).

57 Percent Would Have Voted Against CSFR Split

AU0806124694 Bratislava PRAVDA in Slovak 4 Jun 94 p 3

[Article by "ao": "Majority Against Federation's Breakup"]

[Text] The FOCUS—Center for Social and Marketing Analysis agency conducted a public opinion survey from 9 to 23 May 1994, in which the organizers involved a representative sample of 2,018 respondents. One of the questions asked was: "Had a referendum been held before the division of the CSFR, how would you have voted?" Partition would have been preferred by 27 percent of those questioned (in October 1993, 23 percent gave this reply to the same FOCUS question), 57 percent would have voted against partition (60 percent), 11 percent would not have participated in the referendum (14 percent), and 5 percent did not know (3 percent). Asked what kind of an arrangement of relations between the Czech Republic and the Slovak Republic they would personally wish in the future, the respondents replied as follows: Two independent states would be preferred by 35 percent (32 percent in October 1993), a confederation or union by 30 percent (27), a federal state by 26 percent (35), and another arrangement by 3 percent (2). Six percent (4) could not decide.

Minister on Shortage of Funds for Military Use

LD0806135994 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1000 GMT 8 Jun 94

[Excerpts] Slovak Defense Minister Pavol Kanis gave a news conference this morning at the Turecky Vrch military training area. Milan Velecky reports:

[Velecky] [passage omitted] Neither journalists nor high-ranking officers present at the news conference liked what Defense Minister Pavol Kanis had to tell them. According to him, the Slovak Republic does not have the financial means to maintain even the kind of army allowed by international agreements. But the defense minister was not a pessimist. He said that defense decisions are made in line with our foreign policy. Contemporary European armies are open and therefore under international control, and our Army, not being an exception, does not enjoy finances received through special channels. Pavol Kanis hinted at a new possible means of income—participation in the arms trade. For example, the Army would claim a share in the privatization of the Slovak arms industry, and the defense minister hopes to see arms production restored to at least 25 percent of the 1988 level.

Improving the Army's internal economic management indirectly constitutes another source of income. Soldiers, too, must be financially accountable.

Defense Minister Pavol Kanis admitted that the time allotted to him is not enough to carry through fundamental organizational changes. His two priorities are a clear orientation on transatlantic structures and preparation of the basic legal documents of the defense doctrine.

Kanis is convinced that the Partnership for Peace project of cooperation with NATO will ensure Slovakia's defense guarantees.

Social issues remain unresolved due to the limited finances. The defense minister said that the length of conscript service could be shortened, but this would require extra expenses because men would have to be replaced with more effective weapon systems. [passage omitted]

Moravcik Views Possible Arms Deals With Chile

AU0806185994 Bratislava SMENA in Slovak 6 Jun 94 p 2

[TA SR report in the "Day at Home" column: "J. Moravcik on the Arms Trade"]

[Text] Slovakia also has the conditions for becoming involved in the arms trade. Prime Minister Jozef Moravcik said this in an interview for Radiozurnal in connection with the recent visit made by a Chilean military delegation to the Czech Republic. In trading in arms, however, Slovakia must proceed correctly and in a manner corresponding to its international obligations, said the Slovak prime minister. "I do not even rule out the possibility of trade with Chile because it is a democratic country, and selling arms to this region would not harm our foreign policy interests," said J. Moravcik. As far as Augusto Pinochet is concerned, Moravcik is aware of the complexity of the issue of all that General Pinochet meant in Chile's history. First and foremost, it is up to the people of this country to come to terms with this issue, added Moravcik.

Fidesz Rejects Participation in Coalition

AU0806182494 Budapest NEPSZABADSAG in Hungarian 8 Jun 94 p 1

[Report by Attila Gy. Fekete: "Fidesz Does Not Want To Be Part of the Government—Less Than a Fifth of the Leadership Would Say Yes to the MSZP"]

[Text] According to NEPSZABADSAG's information, the majority of the National Committee of the Federation of Young Democrats [Fidesz] would be against a coalition cooperation with the Hungarian Socialist Party [MSZP] if the party that was victorious at the elections sent an official request to the Young Democrats. According to the party's leadership, the Fidesz's moral standing would be lost if, giving up its values advocated in the campaign, it joined the emerging social-liberal coalition.

The Fidesz's official view has not changed: The party is only willing to react to an official coalition offer received directly from the MSZP. At the same time, influential people in the Fidesz firmly stated that the mood in the party's leading bodies is against the coalition; a proposal to work together with the MSZP would not even receive the support of one-fifth of those in decisionmaking positions. The members who stated this used the decision of the Fidesz's April 1993 congress held in Debrecen as an argument which stipulated two conditions for cooperating with the MSZP: The MSZP should not be a subservient party to the trade unions, and that a change of generations should take place in the Socialist leadership. According to Fidesz politicians, neither of these conditions have been met; therefore, acceptance of a possible coalition offer would go against the party congress decision.

Fidesz members also emphasized that the party would lose its moral standing if it entered the coalition because, in its election campaign, it had contrary goals to this, including "preventing the former leaders from returning to power." According to politicians, with their 20 parliamentary deputies, the Young Democrats would be just as unimportant partners in a coalition as the Christian Democratic People's Party was in the past four years alongside the Hungarian Democratic Forum. However, in opposition, the Fidesz could win over those liberals who are disappointed with the social-liberal government.

According to our information, the coalition agreement of the Socialists and Free Democrats might in spite of all this leave the possibility open for the Fidesz perhaps to join later.

Union Leader Views Horn, Coalition, Parties

AU0606200294 Budapest NEPSZABADSAG in Hungarian 2 Jun 94 pp 1, 4

[Interview with Sandor Nagy, chairman of the National Federation of Trade Unions in Hungary, by Lajos Pogonyi; place and date not given: "I Hope That There Will Be a Coalition!—MSZOSZ Chairman Sandor Nagy Says"]

[Text] *I have grown used to the fact that the Alliance of Free Democrats [SZDSZ] is very short-tempered with me. I more or less have an idea on the reason for this. I have mentioned it a number of times that I see Gyula Horn as suitable for the post of prime minister. Bekesi would be needed in the government, Sandor Nagy, chairman of the National Federation of Trade Unions in Hungary [MSZOSZ] and second person on the national list of the MSZP [Hungarian Socialist Party], said in his interview with NEPSZABADSAG.*

[Pogonyi] What is your view on the fact that, at a Democratic Charter event, Gyorgy Konrad mentioned Bekesi as an acceptable politician to lead a coalition government?

[Nagy] Obviously, everyone has his own view on who the prime minister should be. In my view, who the MSZP nominates to head the government is an internal matter.

[Pogonyi] Whom would you like to see as prime minister?

[Nagy] I have said it many times that, considering all factors, I see Gyula Horn as the suitable person for this position.

[Pogonyi] What are your views on the opinion of certain political analysts who believe that the MSZP should make heroic gestures when the coalition is being formed because the Socialists have won more than their true share [tulnyertek magukat]?

[Nagy] I do not know why the MSZP should make such gestures. In my view, the Socialists have simply won the confidence of the electors at a level that is indicated by the number of their mandates in the new Parliament. We must only start from this. I do not see why we should start from any other reason that is unknown to me. In fact, I believe that this election result actually provides an opportunity for the MSZP to form a government on a broader basis, not only considering a single party.

[Pogonyi] Ivan Vitanyi, chairman of the MSZP's national committee, told the "168 Ora" that he considered your latest statement in which you had saucily said that if the SZDSZ is not willing then there will be another partner to be very bad.

[Nagy] I have not said anything like this.

[Pogonyi] Perhaps in one of the "NAP-Kelte" programs last week....

[Nagy] My words might have been misunderstood. I said that I considered a more than 50 percent mandate for the MSZP desirable because the issue of the coalition would not be decided on the basis of a constraint, the issue would not depend on whether another party wishes to form a coalition. This way, we can also address others.

[Pogonyi] It seems that a number of people might have misunderstood what you said....

[Nagy] It is possible.

[Pogonyi] The other day, Bekesi confirmed that he would not accept a ministerial role if the MSZP is forced to form a government on its own.

[Nagy] I find this statement unfortunate. Bekesi would be very much needed in the government. If he rejects this because of the aforementioned circumstances then this is definitely a loss.

[Pogonyi] When did you last meet each other?

[Nagy] I can remember two important discussions in the past six to eight weeks. During one of them we only spoke about economic issues with the IMF's representative in Hungary. On the other occasion, I had asked to meet Bekesi before an election debate. This time, we reviewed the area of balance problems, foreign and domestic financial processes, and budget and asset issues. More precisely, I asked him to help Europe become familiar with some macroeconomic facts and interconnections.

[Pogonyi] According to many people, you are the MSZP's bogey-man for the SZDSZ.

[Nagy] I have already grown to the fact that the SZDSZ is very short-tempered with me. I more or less know the reason, too.

[Pogonyi] Tell me!

[Nagy] I would not like to embark on a long story. Presumably, the point is that I am not one of those who always and under all circumstances accepts everything the Free Democrats say. Namely that they know everything best. In my view, other parties also have capable people, experts, and honest politicians. I do not believe that a party has the right to attribute the ability always to fulfill the best roles solely to itself. I always express this view and I believe that this is one of the reasons I am not popular with them.

[Pogonyi] Would you be able to support a liberal economic policy?

[Nagy] I can support the economic policy that is in the MSZP's program. This is pragmatic, has many liberal elements, and one can also find the values of a social democratic party in it. We have lined up in support of this economic policy and not in support of something else.

[Pogonyi] Horn recently said that, according to some economic observers, the MSZP's economic policy might have more liberal elements than that of the SZDSZ. What is your view on this?

[Nagy] I think that we would need to clarify the terms. I do not know how Horn meant this remark, it was presumably part of a longer sentence. The MSZP's economic policy is a factual and pragmatic package that does not lack sensitivity toward social problems.

[Pogonyi] Finally: Will there be a coalition?

[Nagy] The decision is not up to me. However, believe me, I most sincerely hope that there will be.

Programs of Possible Coalition Partners

AU0806093294 Budapest NEPSZAVA in Hungarian 7 Jun 94 p 5

[Unattributed article: "How Do the Programs of Future Coalition Parties Differ?"]

[Excerpts] [passage omitted]

On Privatization:

The experts agree that privatization has become an irreversible process, one that must also be continued in the future. However, there are some differences of views regarding the speed of this process. The Alliance of Free Democrats [SZDSZ] are urging the reduction of state property to a minimum and, thus, they want to get rid of the state property as soon as possible. The Hungarian Socialist Party [MSZP] however, thinks that it is necessary to thoroughly consider the pace at which the state property is reduced. The MSZP also thinks that the number of factories, banks, and other enterprises owned by the state should be reduced to below the level set out by the Hungarian Democratic Forum [MDF]. [passage omitted]

On the Fate of Privatization Income:

While the MSZP argues in favor of reviving enterprises, creating jobs, and covering the debts accumulated by state enterprises, the SZDSZ prefers quick privatization to "renewal and selling," but privatization to new owners capable of accumulating capital, of modernizing, and of saving jobs.

On Economic Progress:

There are differences of emphasis between the economic programs. Both parties say that, contrary to what the current government claims, the conditions for economic revival will have to be created now. Both parties see possibilities of a small economic growth around 1996, but this will hardly be noticeable in the people's standard of living. The first goal is to restore the upset economic balance and to halt the tremendous foreign economic deficit and the increase in the budget deficit. Both parties find it important to make use of the economic contacts with the European Union and to gain new markets. However, the MSZP thinks that Hungary will have little chance of a large-scale increase in exports because of the economic recession prevailing in the West and the internal market defense in the West. Therefore, the MSZP would like to regain the Eastern markets, the markets of the former Soviet member states. The MSZP admits that we can only think of barter trade because of the financial difficulties and lack of capital there. Because of the bad experiences of previous years, the SZDSZ does not agree with this idea. [passage omitted]

On the Budget:

According to the MSZP, the most important task is to halt state waste and avoid the unpredictable growth of our foreign and domestic debt. The goal of the MSZP is to reduce expenses, the deficit, and also the withdrawals first of all by reducing expenses on state administration and other low-efficiency expenses.

The SZDSZ wants to reduce the budget deficit by streamlining the executive state apparatus, reforming the army, reducing management expenses, and cutting social payments to people who are not in need.

On the Tax System:

Both parties promise a stabilization of the tax system. The MSZP would try to achieve this by considerably reducing the corporation taxes, eliminating the taxes on forint and hard currency interest and the minimal tax, restoring the advantages of foreign investors, making investment incomes free of tax, and taxing property accumulation. Reducing the weight of income tax and increasing the role of consumer taxes also appears in their program.

The SZDSZ: Investment tax benefits for Hungarian and foreign entrepreneurs; taking over wage costs from entrepreneurs who create jobs; restoring the contract tax of small entrepreneurs; increasing the role of local governments in taxation at the detriment of central withdrawals. [passage omitted]

On Trade Unions:

The SZDSZ does not regard as fortunate that the chairman of the largest trade union in the country is sitting in Parliament as a government party deputy. The SZDSZ thinks that this mixes up the role of employee interest representation with the task of the executive power. This is mostly a political difference of views between the two parties. According to the MSZP, the so-called tripartite talks between the trade unions and the government [government-employers-employees] are the guarantee that no essential decisions in the economic and social sphere are made without a broad consensus. [passage omitted]

On Hungary's Neighbors:

According to the MSZP, Hungary needs rapprochement and bilateral and regional cooperation with its neighbors. "We want to trade, rather than engage in litigations." The MSZP promises the confirmation of open borders and full assertion of national minority rights by international law, and they are urging the creation of an efficient international system of national minority protection.

According to the SZDSZ, economic and political cooperation is the basic guarantee for Hungary's security. Bilateral agreements should guarantee (traversable) borders and the assertion of national minority rights. National minority protection goals should be formulated in which we can find partners among the international organizations and the majority democratic forces in our neighbors.

On NATO and the European Union:

The MSZP says that the conditions of joining the European Union must be created as soon as possible. Hungary's relations with NATO should be further developed, but NATO membership is not the only guarantee for Hungary's security. A referendum should decide on joining both organizations.

The SZDSZ says that we should not force a deadline for preparations for integration; instead, we should set out our own pace so that Hungary becomes suitable to join the Union as soon as possible. According to the SZDSZ, a broad social consensus must be achieved regarding the issue of integration. [passage omitted]

Election, 'Fragmentation' of Right Viewed

AU0806163494 Budapest MAGYAR NEMZET in Hungarian 8 Jun 94 p 4

[Interview with Attila Agh, head of the Department of Political Sciences at the Budapest Economics University, by Katalin Torok; place and date not given: "A Stable Party System With Question Marks"]

[Text] The Hungarian society has voted freely for the second time. Out of the 364 deputies of the Hungarian parliament, 63 percent are new faces. Not a single nonparliamenary party succeeded in exceeding the 5-percent threshold. At the same time, the Hungarian Socialist Party [MSZP] gained 54.15 percent in the recent elections. We asked Attila Agh about the long-term effects of the results of the 29 May elections.

[Agh] The "six-party system" has become stronger. We can really see the spectacular nature of this development if we compare the situation with the neighboring countries: Nothing close to this occurred in Slovakia or Poland, for example. In other words, this shows the firm stability of the Hungarian party system and the fact that this party system began developing as early as the second half of the 1980's. Essentially, there has been no "newcomer" since 1987-88, although the small parties saw the possibility of getting into parliament around 1992-93, but this hope fizzled away in 1994. In the 176 election districts, the candidates who made it into parliament almost exclusively came from the six parties. All this is very rare, and it is a very Hungarian particularity.

[Torok] What is the situation of the parties that can be called stable?

[Agh] In Central Europe, the right of the political spectrum is generally more fragmented than the left. In my opinion, there will be a balanced party system in Central Europe when there is a consolidated center right.

[Torok] What is the cause of this phenomenon?

[Agh] The right-wing parties failed to modernize and the institutional continuity broke up; there is only some kind of a cultural and mental continuity here. If we had fallen on the other side of the Iron Curtain after World War II, it is possible that the Smallholders might have been forced to modernize. It transpired at the latest elections that the supporters of the clearly Christian-national middle class trend of the Hungarian Democratic Forum [MDF] are to be found in the Buda districts. The Christian Democratic People's Party [KDNP] only focuses on the church issue out of a multitude of issues, and this gives them a sure 7 percent, but not more. In other words, this preserves their small-party nature.

[Torok] What future do you envisage for the right-wing parties?

[Agh] I envisage a lasting and very sad future for them. As long as they are unable to overcome their fragmentation, they will have few prospects ahead. We must seek the reasons for their strong historical continuity in the fact that their base of officeholders was not poor, although they have often been humiliated. They preserved their class situation and mentality, and they even passed this on to their children. This is why the late Jozsef Antall was a liberating experience for them.

[Torok] In your view, what does the landslide victory of the MSZP mean?

[Agh] The MSZP has no idea of the amount of difficulties they are facing, including economic problems, but let the economists speak about them. Contrary to many people, I think that the party itself does not have any factions today; there are only various cultural trends there, but factions might emerge in the future, namely three factions. Mathematically, there are bigger chances for a 209-member faction to fall into three parties, because the MDF started with fewer members in 1990, and the results are well known. In my opinion, the big question is whether the MSZP will be able to deal with these difficulties, because it is possible that various trends will find a political expression in the wake of social conflicts.

[Torok] Concretely, what trends and groupings do you have in mind?

[Agh] First of all, a technocratic-administrative trend. They will be the ones who argue professionally and concentrate on solving everyday problems. Another possible trend is made up of people who make a professional and ideological problem from the problems of the provinces. I would like to stress that I do not mean here the often mentioned popular-national trend whose alleged leader is Matyas Szuros; this is the chewing gum of ill-informed correspondents. This group will say that Budapest is not the center of the world, that it is important to develop the provinces, and that politics should serve the interests of the whole country. Finally, I regard the demagogic designation of the interests of the working class as the third trend. I would immediately add that I do not mean here the often mentioned trade union line; I mean that interests emerge here that might lead politics in the direction of preserving the interests and values of a classic working class.

[Torok] It seems that the so-called trade union line also causes a lot of trouble to the possible coalition partners....

[Agh] As I said before, I do not see this as an acute danger in the National Federation of Hungarian Trade Unions [MSZOSZ]. I would also list them in the first group because they are capable of evaluating the changing world of Hungarian employees dynamically. I think that one who believes the trade union is naive enough to think that the current level of metallurgy in northern Hungary can be maintained definitely does not know Sandor Nagy and the other outstanding trade unions leaders.

[Torok] Can you envisage an internal struggle between these trends within the MSZP?

[Agh] I think there are possibilities for the emergence of three such trends, and the order of appearance is also an order of power. I do not think these groups will separate very much in personnel, because one can join one group in connection with one problem and another group in connection with another problem. I hope the MSZP will be able to deal with this problem and avoid the breaking up of the party into different parties. It is also important that the MSZP avoid the situation in which there is a dialogue and trends within the party but a monopolistic demand outside. I find openness very important, especially toward the intellectuals.

OECD To Accept Visegrad Countries as Members

WS0906112594 Warsaw NOWA EUROPA in Polish 9 Jun 94 p 1

[Article by M.P.: "Rich Men's Club Opens Its Door; Poland To Be in OECD in Two Years?"]

[Text] *The OECD has expressed its consent to accept four new countries as members: Poland, Hungary, the Czech Republic, and Slovakia (those countries have already submitted their applications for membership). An agreement on cooperation with Russia was also signed, whose goal is to support the economic reforms taking place in that country.*

Ministers of the most developed countries who gathered in Paris on Wednesday particularly strongly stressed the need to support free-market reforms in the countries of East Europe, through their inclusion in the OECD. The organization was established in 1960 to replace the Marshall Plan.

I am convinced that the exceptional capabilities of the OECD render the organization an ideal means for widening our integration into the world in the post-Cold War era, just as the previous measure—that is, the Marshall Plan—was a model for West Europe in the first years of the Cold War, said U.S. Secretary of State Warren Christopher. The OECD can currently contribute on a larger scale to finalizing the process of postwar reconstruction by helping an increased number of countries around the world join the group of highly industrialized countries.

The OECD also agreed to begin negotiations with South Korea concerning its joining the organization. The possibility of rapprochement with China is also being considered, but that would take place within a cooperation agreement rather than within membership. Observers say that the process of obtaining full membership by countries who desire it is a question of not more than two years' time. I think the issue is about 15-18 months, says Canadian Foreign Minister Andre Ouellet. But other participants of the debate stressed that negotiations could go on for longer than that because of the economic difficulties East European countries are experiencing.

The participants of the meeting are particularly happy because Russia, which in the postwar period refused to join the Marshall Plan, has now agreed to sign an agreement with the OECD, an organization that for a long time was criticized as a rich men's club.

[Box, p 1]

In a communique announced after the Paris meeting, the OECD ministers, among other things:

- Declare that there are more and more signs of an improved economic situation.
- Reject protectionism in any form.
- Declare the need to implement macroeconomic policies that would support strong and inflation-free economic growth.
- Stress the importance of reductions of budget deficits over the medium term.
- Appeal for increased flexibility of the labor market.
- Agree to defend the principles of free trade.

Sejm Adopts Resolution on Arms Exports

LD0906091294 Warsaw PAP in Polish 0833 GMT 9 Jun 94

[Text] Warsaw, 9 Jun—The Sejm today adopted a resolution urging the government to restrict the so-called negative list, concerning the export of weapons and military equipment, to countries covered by the UN embargo. The issue was discussed at the previous Sejm session, but no decision was made then due to the lack of a quorum.

The negative list is secret and includes countries to which the sale of weapons by the Polish arms industry has been banned.

Disagreement Reported Between Walesa, SLD

LD0906010394 Warsaw TV Polonia Network in Polish 1900 GMT 8 Jun 94

[Text] [Announcer Malgorzata Sienkiewicz] Lech Walesa has accused the Democratic Left Alliance [SLD] of breaking an agreement reached during their meeting with Walesa at the Sejm. This refers to the appointment of deputy ministers in the so-called presidential ministries. In Walesa's opinion, nominations should be given out after the reorganization of the ministries.

[Correspondent Wojciech Nomejko] Several days after the president's meeting with the SLD parliamentary floor group, Danuta Waniek became deputy minister of national defense and Zbigniew Sobotka became deputy minister of internal affairs.

[Begin recording] [Walesa] First, there was supposed to be the organization, and the people were to come in afterward. First, the structural reorganization plan, as Olechowski proposed, and only then the deputy ministers. As we know, the deputy ministers have already been appointed in both ministries.

[SLD Deputy Chairman Marek Borowski] Well, I think, as is often the case, that the president's statement has been distorted. The president certainly did not mean that. [end recording]

[Nomejko] In Borowski's opinion, during the now famous meeting, the matter was agreed upon in two areas. The first was the coalition's participation in the presidential ministries, which, according to the SLD deputy chairman, cannot be questioned. The second was the reorganization of the ministries, consisting of somebody coming into one of the top posts in a ministry on his merits, somebody not connected to a political grouping, who would not leave along with the government in power. The minister of foreign affairs has prepared a new statute and sent it to the Council of Ministers for approval.

[Begin Borowski recording] In the other two ministries, the ministers have to introduce such drafts because these are the statutes of their ministries, to put it briefly. So, it is hard to speak of a particular role of the SLD here. We support the introduction of such drafts by these ministers, and this should happen as quickly as possible. [end recording]

[Nomejko] According to press reports, there is a conflict between the Polish Peasant Party and Foreign Minister Olechowski over the reform of his ministry, which may lead to the head of the Foreign Ministry handing in his resignation.

[Begin recording] [Michal Strak, head of the Office of the Council of Ministers] The press, not for the first time and probably not for the last, is not briefed very well on what is happening inside the government, on what the prime minister is doing, and on what I am doing. So we are dealing with yet another press fact. They are concerned to show a lack of cohesion again, another struggle at the top—which does not exist, of course.

[Unidentified correspondent, addressing Foreign Minister Olechowski] Is there a danger of your resigning?

[Olechowski] Only if you force me to. [end recording]

[Nomejko] In a week's time, the government will tackle the comprehensive reform of the central administration along with with the Ministry of Foreign Affairs' statute. After its likely approval, Marek Siwiec will become deputy foreign minister.

Poznan Voivoda on Local Government Structure

PM0906092094 Poznan GAZETA POZNANSKA in Polish 30 May 94 p 3

[Interview with Wlodzimierz Lecki, voivoda of Poznan, by correspondents Leszek Luczak and Roman Zielinski; place and date not given]

[Excerpts] [GAZETA POZNANSKA] Self-government activists complain that the voivodas are not interested in representing their positions to the central authorities, that they function exclusively as government representatives....

[Lecki] Indeed, this does present a rather difficult problem. A voivoda cannot see himself as a representative of local self-government structures. Local self-government has its own representative bodies.

[GAZETA POZNANSKA] But surely a voivoda can support in Warsaw the recommendations formulated by self-government activists? [Lecki] There are local self-government assemblies in voivodships that were set up especially to represent regional interests. But the crux of the problem is elsewhere. To what extent should a voivoda represent the interests of the region and to what extent those of the state? By definition, most voivodas hail from the regions in which they hold their office. They are local patriots who have the interests of their voivodships at heart. It is the same with me. For example, I constantly fight for allocation of higher outlays for investments in the local roads network. The Poznan-Pniewy highway is already overloaded to the limits of its possibilities. Decisions involving its modernization are currently in the balance. I would very much like to be able to help in this particular matter, among others.

[GAZETA POZNANSKA] Do you have much influence?

[Lecki] All I can do is formulate my recommendations. For example, a large new residential estate recently developed in Swarzedz is linked by a new road to Highway 2 by a highly dangerous junction, on which many traffic accidents have already been recorded. I have made several written representations in this matter, and they were successful. During this year, the dangerous road junction will be redesigned and reconstructed as a so-called level crossing. The reconstruction will cost 30 billion zlotys [Z]. I had asked for a split-level crossing, but that would have cost Z100 billion, which would be beyond our budget's capacities.

[GAZETA POZNANSKA] You take part in the Council of Ministers sessions as a consultant. The Democratic Left Alliance [SLD] and the Polish Peasant Party [PSL], which belong to the government coalition, claim with increasing insistence that they have differing visions of the planned state administrative reform. Where do you stand with reference to these differing positions?

[Lecki] During the government sessions, no differences in the proposed ways of state administration are apparent between the ministers hailing from the SLD and those representing the PSL. The Council of Ministers sessions are conducted in a very open manner, and I believe that the ministers who participate in them do say what they think. We often have polemical arguments, even between ministers from the same political group.

[GAZETA POZNANSKA] So do members of the Waldemar Pawlak Cabinet want decentralization, or are they not interested in it?

[Lecki] They do want it. The only thing is that they are after a different option. The Suchocka government wanted to reform our state administration from the bottom up. To begin with, they prepared the so-called pilot program, which has already been implemented. The next stage was supposed to be the introduction of the new district scheme. But Minister Michal Strak, head of the Council of Ministers Office, intends to reform the state administration starting from the top.

[GAZETA POZNANSKA] Which of these concepts was more to your liking?

[Lecki] I would have preferred a reform starting from the bottom structures. The majority of local self-government bodies in our voivodship carried out their program very rationally, according to what they should and what they could do. The creation of districts will automatically present us with larger self-government structures, whereas Poznan Voivodship has both small and large parishes: The smallest one has 3,000 residents and the largest 600,000. If the district project does go through, the local authorities would have all of the specialist services at their disposal—for example, the health service, the land-surveying services, housing construction, education, and so on. I believe that such a system would function most efficiently. My position on this subject is influenced by my knowledge of the functioning of the district system before the war. In our part of the country, they proved to be very effective indeed. Even after the war, despite the restrictions of the totalitarian system, the district scheme worked well, creating a sense of local patriotism and commitment. On the other hand, I am well aware that, in Poland's eastern regions, they are not particularly keen to see the introduction of the district system. So the government really finds itself between a rock and a hard place. [passage omitted]

[GAZETA POZNANSKA] Minister Strak insists that local self-government works well only in small parishes and in residential estates. Anything larger is not genuine local self-government. According to him, the problem is that small-scale local self-government serves mainly to promote the interests of small local elite groups and individual self-government activists.

[Lecki] I suspect that there is some reason for Minister Strak's claims because there is indeed a group of self-government activists who promote the thesis of the inevitability of conflict between government and local administration. Personally, I believe that this thesis is incorrect. From the example of my own voivodship, I can state that, in the case of a decided majority of local self-government structures, there is no conflict at all. At the present moment, a political conflict has superimposed itself, as it were, on the apparent conflict between the central and local administration, the supposed existence of which has been postulated by certain politicians. The government is of a left-wing persuasion, whereas local self-government structures are largely represented by people who cherish right-wing views. I remember a number of sessions of our local self-government structures at which Prime Minister Suchocka was present. You could always count on spirited argument and debate during those meetings. On the other hand, the debates that took place recently at the Arena Hall were, in my opinion, below certain adopted parliamentary standards. Such levels of aggression, encouraged from two sides, are harmful also for the future of local self-government structures.

[GAZETA POZNANSKA] How did your cooperation with the Voivodship Assembly go?

[Lecki] That was during the first term of office of the newly revived local self-government structures and, naturally, also the first term of office of the Self-Government Assembly. The assembly's range of competence was rather unclear and that was why, especially during the first stage of our cooperation, certain controversial issues arose. But, by the end of their first term of office, the common plane of cooperation between the voivoda and the Self-Government Assembly became much better defined and more clear.

[GAZETA POZNANSKA] What have you done to prevent the possibility of corruption in the Voivodship Office?

[Lecki] We have our own monitoring system. We treat all information, including even anonymous messages, most seriously. I must stress that, over the past four years, I received only one message informing me that an official in our office had taken a bribe. In any case, it was such a ridiculously small sum of money that it reminded me of a prewar joke: "You must be especially careful not to offend a civil servant with a bribe that is too low to match his position."

The Planning Department is the most frequent ground for leveling accusations of corruption against our officials. This is because that department usually has to decide in contentious cases, where the losers usually then accuse the officials involved of dishonestly and corruption. On the other hand, privatization is protected with such watertight regulations that practically no scope for corruption is left. [passage omitted]

[GAZETA POZNANSKA] How much do your officials earn?

[Lecki] I pay salaries of Z7-8 million gross to my directors. Other employees get much: The average salary is about Z4 million.

[GAZETA POZNANSKA] Where is the limit of your loyalty as a government official?

[Lecki] I would like to serve as voivoda for as long as I can personally endorse the government's policy. The policy tenets of Prime Minister Pawlak's government are not, on the whole, much different from those of Prime Minister Suchocka's government. There are, of course, certain subtle differences, but they concern details. As for privatization, the principles of its implementation are no different from those mapped out by Minister Lewandowski. [passage omitted]

Poll on Popularity of Politicians, Social Moods

WS0806135594 Warsaw RZECZPOSPOLITA in Polish 8 Jun 94 p 2

[Article by "E.Cz.": "CBOS on Politicians and Moods in May; Kuron, Pawlak, and Religa Are Leading"]

[Text] *According to the Public Opinion Research Center [CBOS], Jacek Kuron, Waldemar Pawlak, and Zbigniew*

Religa continue to be the most popular politicians. Social moods did not change substantially in May. Society assesses its financial living conditions better than it did in April.

SLD Politicians Less Popular

Since March, confidence in Zbigniew Religa (chairman of the Nonparty Bloc in Support of Reforms), deteriorated the most. This can be explained by society slowly understanding the change in Religa's role from an excellent heart surgeon to a politician. Confidence in three politicians of the Democratic Left Alliance [SLD] also went down in May: Wlodzimierz Cimoszewicz (by 7 points), Leszek Miller and Aleksander Kwasniewski (by 4 points each). A lack of confidence in trade union leaders also increased: Ewa Spychalska, who was opposed to the strikes (by 6 points), and Marian Krzaklewski, the leader of the recent strikes (by 4 points.) Slight increases in social confidence were reported for Leszek Moczulski, Jaroslaw Kaczynski (he continues to be distrusted the most), and Wieslaw Kaczmarek.

Better Moods on Living Conditions

After the April-May strikes, price rises on some merchandise and services, and a slight increase in salaries, social moods did not change significantly in May. Compared with April, slightly more people think that the situation in the country is heading in the right direction. Managerial cadres and private entrepreneurs have the best views on the situation, and unskilled laborers and farmers the worst. Close to 60 percent of those polled have a negative assessment of the economic situation (only 6 percent think it is good), while farmers have the most negative views in that regard. Skilled laborers, farmers, managerial cadres, and entrepreneurs are the most critical concerning the country's political situation.

Compared with April, the respondents' own standard of living (and of their closest family members) is perceived as better (by 4 points), as well as their material living conditions (by 6 points). Managerial cadres, nonmanual laborers, and private entrepreneurs are most satisfied with their financial standing, while farmers and unskilled laborers are the least satisfied. The slight increase in optimism levels is probably linked to an improvement in the overall economic situation and to a salary increase that was a result of the lifting of the popiwek [enterprise tax on above-normative pay].

The CBOS respondents say that, over the next year, the political, economic, and family situations will not change. But what also happened was that the percentage of people convinced that the country's general situation will deteriorate decreased slightly. Managerial cadres are the most optimistic when it comes to forecasting the economic situation.

The CBOS poll on the popularity of politicians was conducted between 7 and 10 May, using a 1,219-person representative random sampling of the country's adult residents. The one on social moods was conducted between 19 and 23 May, using a 1,209-person representative random sampling of the country's adult residents.

Securities Commission Discussed on 3d Anniversary

WS0806135694 Warsaw NOWA EUROPA in Polish 8 Jun 94 p 15

[Article compiled by Sabina Augustynowicz: "The Securities Commission Has Been in Operation for Three Years Now; We Are Waiting for Institutional Investors"]

[Text] *The Securities Commission [Komisja Papierow Wartosciowych, KPW] has just ended its third year of existence. KPW Chief Leslaw Paga, while proposing a toast, said that one does not drink to the health of children, but one can make an exception in order for the stock market to continue to develop as successfully as it has thus far.*

According to many people associated with the stock market in various ways, the capital market in Poland has been developing correctly. That does not mean, of course, that no changes are needed that would guarantee the market's correct development.

Professor Grzegorz Domanski, chief of the Council of the Securities Stock Market: The Polish capital market has been developing in the same way as a majority of institutions of the market economy in our country. There is no reason for the market to deviate from that general pattern. After all, the capital market is an integral part of the entire economic system, so it progresses along with the system. The rate of reforms we have been witnessing in the entire economy is directly reflected in the rate of changes in the capital market and also in its development. Despite being a very young market, it has already undergone changes. First, it has undergone a substantial calming down, and anyone who influences its regulatory shape and feels morally responsible is very happy about it. Currently, we are counting very much on two things: a speeding up of the development of brokerage houses that have clearly been becoming a bottleneck in the stock market's development, and, second, we want our securities market to stop being a market for individual investors and petty money grubbers and to become, instead, a market of institutional investors. We are already witnessing some symptoms of the changes. So, if we manage to invite institutional investors into the game, and if we manage to strengthen brokerage houses, we have a very bright future ahead of us.

Andrzej Celinski of the Freedom Union: I am not a professional. I am just a politician who is interested in economics. From my nonprofessional standpoint, the capital market in Poland has been developing correctly, although perhaps somewhat too cautiously. Perhaps the development of the Warsaw Stock Market does not meet expectations or needs. Besides, institutions dealing with the capital market have a too limited array of services. In Poland, not only is the stock market too "thin" and small, with new companies entering it too slowly, but we also do not have new economic institutions with the necessary infrastructure for development of the capital market—for instance, property rights insurance. It is an institution that is known to every outside investor. But those investors do not find it here in Poland. This makes the investment processes very difficult, especially those that require changes in the ownership of, for instance, land or industrial premises. In my view, another issue is the array of offers of different financial services, which continues to be limited. Practically speaking, there are no venture capital [preceding two words in English] organizations in Poland—that is, with capital that requires the kind of investors using primarily their own ideas, unique expertise, and knowledge, and looking for deep gaps in the market as the basis. Countries that are developing at a fast rate—and Poland is definitely becoming such a country—and that are quickly changing ownership structures need offers going beyond the traditional offer of bank credit as a necessary ingredient for development of young entrepreneurship. Generally speaking, the stock market is developing a bit too slowly, but we understand the position of those who guard it against misfortune.

Stock Market Chairman Wieslaw Rozlucki: It is difficult to be my own judge, but I think the first three years were good. We managed to avoid major mistakes. Some things are just beyond our control. The stock market's management cannot control the market itself or prices that either rise or fall too quickly. These issues are beyond our capabilities. I think the fundamental assumptions stood their test. In the beginning, there was nothing like a major involvement of interests and money that currently determine the shares' value. I am afraid that, unfortunately, the next three years will not be as good in the sense of avoiding conflicts or settling problems professionally. Of course, there are a few things that should be changed. We are waiting for institutional investors, better advisers, and better services provided to our customers. In my view, company analysis, fundamental analysis, and investment counseling remain the bottlenecks. But, as everybody can see, those bottlenecks keep changing every few months, followed by new problems that we try to overcome, and, in this way, the market is gradually developing.

Deputy Minister on Trade With Russia

WS0806123094 Warsaw TRYBUNA in Polish 8 Jun 94 p 7

[Interview with Zbigniew Wojciech Okonski, deputy minister of foreign economic cooperation, by Krzysztof Krauss; place and date not given: "Polish Trade with Russia; Different Time, Different Reality"]

[Text] [Krauss] If our position on the Russian market were the same today as it was on the Soviet market in 1990, the value of the sale of Polish merchandise to Russia would amount to more than $2 billion. However, it is a mere $700 million.

[Okonski] The population of the Soviet Union [SU] was almost 290 million people; the population of Russia is approximately 150 million. In line with official data, SU's imports in 1990 totalled $120 billion; Russia's imports in 1992 were approximately $35 billion and, in 1993, dropped by another 27 percent. By limiting imports (including imports from Poland), Russia, undergoing enormous economic difficulties, is trying to protect its active balance of the turnover. It is trying to find money to pay off its foreign debt, which is almost twice as large as Poland's ($82 billion).

Until 1990, our trade was conducted in unreal money—transfer rubles. There was not much that could be bought for this currency, and, if anything, it was only used in bilateral trade. Trade was regulated not so much through commercial contracts but through orders issued by the "center." Prices were also shaped administratively to a considerable degree. The coincidence of all of these circumstances: The economic crisis in Russia and the recession in our country, lasting until 1992, new world-level prices, the necessity for real foreign currency for purchases simply had to affect the trade in some way. In relations with some other countries of the former Council for Mutual Economic Assistance [CEMA], the breakdown was even deeper.

We must also remember what constituted most of our exports to SU. We sold mainly machines and devices. The demand for them has in recent years considerably decreased in Russia.

[Krauss] There is no chance, then, to increase our exports to Russia in the near future? The West has made a fierce attack on the Russian market, with success, if we take a closer look at the geographic structure of Russia's purchases. As recently as 1990, there was only one Western state among the five greatest trade partners of Russia: Germany. The leading five also included Poland, Bulgaria, Czechoslovakia, and Hungary. Now (in 1992), the first five positions are occupied by Germany, Italy, China, the United States, and France. There is no state belonging to the former CEMA.

[Okonski] Russia is a market of huge possibilities; it attracts the attention of all exporters. With the potential of this country, it is to be expected, in the general opinion of experts, that the economic collapse will eventually be stopped, and, in a few years, production growth will begin once again. This will increase the demand for imports and increase export capabilities. At that time, those partners of Russia who are already in that market will have a chance to develop their businesses quite significantly. It will be a chance that is offered to a few markets in the world. Our ambition is not to increase our exports to the Russian market. We would like to see that the import savings do not affect the purchases made in our country. This is our task in the near future.

In other words, we would like to maintain exports to Russia on the same level we have so far; we would not like to lose what we already have.

[Krauss] What can we offer Russia? In what areas can we be competitive compared to other partners, who are also aspiring to maintain and increase their presence on this market?

[Okonski] Traditionally, the goods that are well known on the Russian market and that have a good name are food, highly processed consumer goods such as household appliances, clothing, fabric, shoes, cosmetics, pharmaceuticals, and others. However, this does not exhaust our export capabilities. It must be remembered that we sent huge amounts of investment equipment to the former Soviet market. Polish equipment was used in the construction of hundreds of factories and other production objects. A large number of them were built in Russia. What is needed is service and spare parts. It will also be necessary to modernize many of these: metallurgical enterprises, sulfur-processing enterprises, mines with an element that is very important in the extraction industry—the devices ensuring industrial safety, food-processing enterprises, power plants, etc. If we do not let others push us out, this may become the springboard for developing investment exports once again. Documents submitted to the Economic Committee of the Council of Ministers, which has approved them, envision increasing exports in this direction by 30 percent by 1997. If we are consistent, it will be quite possible to put this plan into effect.

Regarding construction of new objects, the situation is more complex. We may be competitive, but Russia must be able to afford to embark on such investment undertakings. For the time being, the scope of new investment is very limited. However, there are announcements that are very promising to our exporters. I am thinking primarily about the construction of a new natural gas pipeline to Western Europe, part of which—over 500 kilometers—will pass through Poland. Several thousand kilometers of the pipeline will go through Russia. This may be a great "labor front" for us, an opportunity to obtain attractive orders, just like the planned construction of super highways. Polish road-construction machines are of an entirely different technology generation in comparison with what we had 10 years ago. Many of them are already in use in East Asia under American names, and they are proving themselves quite well. We really are not worse than the machine suppliers from Germany, Japan, and other states.

[Krauss] However, investment export is rarely conducted in cash; it needs to be supported with credit. Where are the banks in Poland that could afford to conduct operations involving such huge capital?

[Okonski] There already are examples of forming consortia for the service of very large exports contracts. For the time being, they do not pertain to the Russian market. They concern the Chinese Consortium of Polish banks, of course, with guarantees of the Bank of China—it opened a credit line of approximately $400 million. However, Russia is currently a particularly high risk market, and, for the time being, this limits the possibility of employing such solutions and also of employing in Russia the resources of the Exports Credits Insurance Corporation (insurance on the political risk, catastrophes, and other difficult-to-predict events), which has been well capitalized recently.

[Krauss] The recently announced report of the Central Planning Administration, entitled "The Economic Situation of Poland in 1993 Compared to Other Countries," stresses, among other things, that one of the unsatisfactory results of foreign trade in the countries of our region is the weakness of "systemic and institutional support of exports."

[Okonski] We are trying to support the exports to the difficult Russian market. We have submitted to the Russian party a proposal of signing long-term commercial contracts concerning merchandise that is important to both states from a strategic standpoint: raw materials for Poland (oil, natural gas, metals), and for Russia pharmaceuticals, food, and equipment for its key investments. We have already received verbal support and are now awaiting a reply. A "governmental" instrument is also annual commercial protocols that ensure the maintenance of the minimum level of turnover in the main groups of commodities (such a protocol concerning 1992 proved itself; now we want to conclude appropriate protocols for 1994 and 1995), a commercial protocol on the exchange of special equipment (spare parts for military equipment, which both armies will need for a long time—totaling tens of millions of U.S. dollars), and an agreement on military and technological cooperation.

Cooperation in the armament industries is not at all a closed chapter. We witnessed a commercialization of the best technologies, so the cooperation of experts of special industries may be very useful. They might cooperate in the area of modernization of our armies and in exporting equipment to third markets. Another area of this cooperation might include the adjustment of production capacities in these industries, which are too high, to civilian needs.

[Krauss] You failed to include the settlement of old debts on the list of government activities.

[Okonski] This will not happen overnight. It is a very complex issue, and we should leave it to specialists. The past cannot block our present relations. We are concentrating primarily on what can be done to increase the exchange, to increase its extent and intensity. I have discussed government initiatives that are supposed to make it easier for exporters to get access to the Russian market. However, the administration also wants to support the activities of "economic entities" and their associations (economic chambers, business clubs, regional associations, and others), activities that are supposed to help those companies remain on the Russian market. For example, this year our ministry has $10 million to finance various promotional initiatives: participation in exhibitions and fairs, economic missions, seminars. However, at least half of the money needed for these activities must be paid by the companies themselves. We merely partially subsidize such initiatives—if they are reasonable and economically well-founded. Our offices of commercial advisers are also at the disposal of entrepreneurs: They provide information, contacts, etc.

[Krauss] And the effect of these activities is a surplus in the economic turnover with Russia?

[Okonski] We are not counting on a surplus, even though it would be good to decrease the present deficit, which amounts to approximately $600-700 million a year. What is important is that Russia can supply us with many fundamental materials (oil, natural gas, etc.) at competitive prices and on favorable terms. Even though we do not want to recreate the former full dependence, commercial criteria must be taken into account.

We would like to cover essential expenditures by means of our exports to a maximum degree. The limit, however, would be profitability of exports. Another factor that encourages seeking markets for our goods in Russia is that exports increase the number of workplaces, which is quite significant for a country with almost 3 million unemployed people. Even if we do not achieve any surpluses of foreign currencies in our trade with Russia, the employment effect is certainly of some economic-social importance.

[Krauss] Thank you for the interview.

Danish Firms Investing Heavily in Country

94P20841A Copenhagen BERLINGSKE TIDENDE in Danish 25 May 94 p 3

[Article by Lise Tajik: "Denmark Among Biggest Investors in Poland"]

[Text] Danish investments in Poland have exploded. Denmark is among Poland's largest foreign investors.

Since the collapse of the communist system, the largest Danish firms have invested over $60 million—about 400 million kroner—in Poland, meaning that Denmark is in 11th place in the ranking list of investing countries in that country, according to the newsletter POLAND.

Denmark now accounts for 1.7 percent of total foreign investments in Poland, and, at the same time, moved up five places on the list since last August, when Danish investments were registered at only just over 50 million kroner.

The actual amount is presumably much greater because many small and medium-size business investments are not included in the calculation.

The survey covers only those foreign firms that have invested at least $1 million in the country. Ranked according to the number of firms with investments amounting to over $1 million, Denmark is in seventh place.

The United States, Italy, and Germany top the list, while Sweden, with $71 million, and Norway, with $44 million, occupy the 10th and 13th places, respectively.

Over 130 Danish firms either have subsidiaries, production activities, or sales offices, or have gone into joint ventures in Poland.

Fifty Danish companies are going to take part two weeks from now in the European Union's company contact fairs, Europartenariat Polska, in Gdansk.

Oleksy on Army, Crime, Radio-TV Council

WS0806134594 Warsaw Radio Zet in Polish 0615 GMT 8 Jun 94

[Interview with Sejm Speaker Jozef Oleksy by Andrzej Woyciechowski at the Radio Zet studio in Warsaw on the "Guest of Radio Zet" program—live]

[Text] [Woyciechowski] I have read in today's papers that you participated in a National Defense Committee [KOK] meeting and that this meeting, devoted to the subordination of the chief of the General Staff, was very tense.

[Oleksy] This was one of the topics discussed, and it concerned the specific decision examined by the Council of Ministers, which, at the president's request, was sent back to KOK for reexamination. But this is one element of the whole package of principles related to the defense policies of the state and its security. This is one big document that was also examined by the Council of Ministers, and it will be discussed by the Sejm as well.

[Woyciechowski] What does it mean that KOK's meeting was tense? What happened there that was so tense?

[Oleksy] I did not have that kind of impression. These were merely media reports. However, there were indeed different opinions, and not only about the issue of subordination in the Armed Forces, which was central to the meeting.

[Woyciechowski] Is this about who should nominate the supreme chief—the president, the government, or the Sejm?

[Oleksy] No, because Article 35 of the Constitution specifies who has the power to nominate the chief of General Staff, his deputies, and military district commanders. So there are no ambiguities here, and there can never be any. At issue is to what extent the civilian control over the Army—something that is determined by the principles of Polish democracy and that of other countries and is NATO's requirement for countries that cooperate with it—so, to what extent this civilian control should mean the degree of direct leadership executed by the defense minister over the Army.

[Woyciechowski] By the civilian minister?

[Oleksy] Yes, the civilian minister, because this is precisely what is at issue. Until now, the chief of General Staff has been answerable to the defense minister. So it is the leadership of the president over the Armed Forces that is executed through the defense minister.

[Woyciechowski] In other words, the civilian tells a general which way to shoot, and the general shoots?

[Oleksy] I do not think this was the problem. The minister is a supervisor of the whole thing. He does not interfere, I believe, with specific matters related to the everyday operation of the military but ensures conditions for its functioning, combat readiness, equipment, etc.

[Woyciechowski] Is it true that this is where opinions of the defense minister, who is a general, and the president differ?

[Oleksy] I see this in a broader perspective. I had the impression that the president sought direct control over the General Staff, whose chief, his deputies, and military district commanders are appointed by the president himself. However, the deputies and military district commanders are appointed at the request of the defense minister. So I think he wants that done by the chief of General Staff.

[Woyciechowski] Let us now talk about another Belweder-controlled minister, the interior affairs minister. Do you think the draft laws on police will be passed?

[Oleksy] They will definitely be heatedly and controversially debated. These are new solutions, new in Polish law. The key witness and controlled purchases are well established parts of Western law and an unpracticed novelty in our country—hence, so many fears about the way they will be executed, if passed. I suspect this will trigger a lot of controversy in the Sejm because the commission for administration and interior affairs has already frequently discussed that. One should remember that those projects were already proposed and then withdrawn. So, this is their second attempt. On the other hand, the Interior Affairs Ministry rightly demands resolute decisions to counter the surge in crime, unlawfulness, and arrogance of the underworld. I agree with its arguments. Law must be toughened so that citizens feel more secure. They do not feel safe even on the streets. The reason may be that the police are very often powerless and restrained by the current statute. As a matter of fact, they sometimes find themselves in a worse situation than the criminal.

[Woyciechowski] Actually, a lot of interesting things will be happening in the Sejm now. For example, the concordat. Will it pass, do you think?

[Oleksy] Everyone is thinking about it, calculating votes, making up proportions, analyzing political declarations by various groups. After all, the dispute concerns both politics and the substance. This concordat is expected to be examined before the break.

[Woyciechowski] Which is in June or July?

[Oleksy] Which is 1 July, when the Sejm's last meeting will be held.

[Woyciechowski] So everything will be resolved by that time?

[Oleksy] I do not know because this will depend on how the motions are worded. The Sejm's Presidium intends to bring up the concordat in its first reading. Next, there will surely be a different proposal—to reject the document in its current reading or to submit it to legislative commissions. I even know that there will be proposals demanding the concordat's second reading without even submitting it to the commissions. There will be a large number of different proposals, and it is going to be a tough debate—also in procedural terms.

[Woyciechowski] Now, what about abortion? Is the issue of abortion going to come back to the Sejm before the elections, as part, as it were, of the election campaign?

[Oleksy] I think this is no longer possible. The first reading has already taken place; the second reading was even accompanied by a certain procedural conflict. Let me recall that this was not finally accepted; now we would need the report of the committee to hold the third reading and the voting. As it is known, a number of persons, as well as certain groups are demanding an even more detailed substantive analysis by specialists. Thus, I do not expect that abortion will be discussed before the elections.

[Woyciechowski] What will happen if the Sejm decreases the severity of this law? If the president does not sign it, the law will return to the Sejm. From your high place in the Sejm, you can easily see how the deputies vote. Will the Sejm manage to force this law with the majority of the votes?

[Oleksy] I think that is possible. Right now this issue is slightly controversial; some people perceived it as an element of the election campaign. After the entire procedure, when it can be assumed that the president will not sign this law, I expect that it is possible to achieve two-thirds of the votes to override the president's veto.

[Woyciechowski] What will happen to the National Council of Radio and Television [KRRiT] in the Sejm? Will it manage to pass through the Sejm successfully?

[Oleksy] The committee has already worked on the report; it issued a positive opinion on this report. Discussions are already under way on whether the report should be accepted, whether to take some measures to change the KRRiT. My personal view—not the official view of the Sejm speaker—is that any attempt to overthrow this council must be approached very cautiously. After all, it is not a new establishment in the Polish democracy. Despite all of the remarks that can be made about it, it is an establishment that has accomplished something; it has introduced some new order. This was accompanied by some conflicts, which, however, did not appear in all of the issues. I also think that the discussion in my club, the club of the Democratic Left Alliance, as well as in the other clubs will be quite animated. Criticism is justified in this case; however, there is the question of whether this criticism justifies such a dramatic step as overthrowing the council.

[Woyciechowski] Yesterday the Sejm Committee actually praised KRRiT, but it kept criticizing Walendziak...

[Oleksy, interrupting] I can see some inconsistency here...

[Woyciechowski, interrupting] Do you watch television and do you not like television?

[Oleksy] I have my own complaints here as well, as it were. However, I do not have the right to voice them in public; we have often discussed this. What I want is a more systematic approach and a certain balance in the activities of the public media. However, I do not think that the entire issue can be handled this way—that is, one cannot say that the KRRiT is marvelous, but its decisions and its results are bad. This is false. They must be looked upon as one. This direction, I think... [Oleksy pauses] It will go in the direction of criticism of the KRRiT, without any firmness in deciding its fate. There will probably be certain suggestions of changes in the functioning of the mass media.

[Woyciechowski] What was it like in China? Is it true that Chinese women are very pretty but have small breasts?

[Oleksy] They have breasts of different sizes. Most of them are average in size. However, there are also very tall Chinese women. Most people in Poland think that they are all slanted-eyed midgets. That is not true. In the fashion show in Shanghai, there were very tall Chinese girls from the north of the country, whom Europe can only envy. Now, China from the point of the visit.... [Oleksy pauses] There was a certain unpleasant event concerning this visit, which had to do with Radio Zet. However, I want to consider it a closed case. Now, China is a country that is incredibly friendly to Poland and mainly to Poland as a country in Central Europe. It will soon become the greatest market in the world. It is a country characterized by enormous investment dynamics, by an enormous growth rate, which has been going on for many years. It is a country that is modernizing, ensuring the basic standard of living for 1.2 billion people....

[Woyciechowski, interrupting] However, does it want to trade with us?

[Oleksy] And it wants to trade with us. It wants to do this quite frankly. In line with the protocol, my talks with the president of the state were supposed to take no more than a half-hour; in fact, they finished after an hour and a half. It was not a courtesy. What it really was was the expression of real cordiality and goodwill. I interpret this visit as a good declaration of the Chinese party. We formulated our declaration as well. I believe that this must be developed. There are such possibilities. We were accompanied by businessmen, entrepreneurs of large companies. They made good contacts already during the visit. Three new joint-venture companies were set up during the visit. As I was told there in China, it is a market where everything can be sold. The only requirement is that you must want to do it and know how to do it. I think that we should follow the example of the powers of the world, which want to be there on that market at any cost. They realize the advantages that can be gained in trade and investment cooperation with this country. It would not be very responsible of us if Poland, for one reason or another, which may be quite important but certainly incomparable to the possible strategic advantages, were to miss the opportunities that are offered by contacts with China—a country that is friendly to Poland.

[Woyciechowski] The presidential election. What will it look like, Mr. Sejm Speaker?

[Oleksy] I think my view of it is similar to the views of most people in Poland: All of the statements, especially sharp statements, and firm announcements are premature. I think there is still a lot of time and still....

[Woyciechowski, interrupting] When will the election really be held? Everyone keeps talking about it, but no one knows....

[Oleksy, interrupting] It will be held in October 1995. Thus, it is still too early. We still must work on the constitution, which should absolutely be adopted before the election, so that the election can be held on a new constitutional base, so that there is a clear separation of powers....

[Woyciechowski, interrupting] The constitution has been discussed for four years now and we still do not have it.

[Oleksy] I will do everything to speed up the work and to adopt the constitution in the spring referendum in 1995.

[Woyciechowski] The spring referendum in 1995—that is, in one year's time. Thank you, Mr. Sejm Speaker, for the interview.

[Oleksy] Thank you.

Measures To Combat Unemployment Viewed

PM0806125694 Gdansk GLOS WYBRZEZA in Polish 30 May 94 p 3

[Interview with Janusz Grela, head of the National Employment Office, by correspondent Teresa Kwasniewska; place and date not given]

[Text] [Kwasniewska] How much do we spend on unemployment in Poland?

[Grela] The estimated figure for this year is 42 trillion zlotys [Z]—that is, $2 billion.

[Kwasniewska] And how much does it cost for an employment office to attend to one unemployed person?

[Grela] In 1993 it cost approximately Z400,000—that is, just over Z30,000 per month. On average, last year in Poland the Employment Fund spent Z11.7 million on each unemployed person. To add these costs up, one unemployed person costs Poland Z12.1 million a year. It is estimated that this year the amount could rise to Z14.5 million.

[Kwasniewska] Is this much or little?

[Grela] Compared with other countries, these costs are low. Among other things, this is related to the national income level. On the other hand, we record very low expenditure on active forms of combating unemployment. This year 13 percent of the total sum allocated to unemployment expenditure will be spent on it—and we know that there are countries in which 50 percent of the available funds are used in this way.

[Kwasniewska] We have not yet discussed the other, associated costs of unemployment, which are, perhaps, less easy to measure and more difficult to evaluate or illustrate in statistical terms. Nevertheless, they are extremely burdensome....

[Grela] Indeed. They involve the losses and disadvantages suffered by society in general as a result of the fact that 3 million Poles are unemployed. These costs are probably five or six times as high as the total value of the financial resources at the disposal of the Employment Fund. Professor Kabaj estimates that, in 1993, they amounted to Z150-180 trillion. These costs affect society at many levels and are the result of social pathology, family breakdown, lack of motivation to work, restriction of future prospects, and so on.

[Kwasniewska] The employment office is the first "contact point" for the unemployed. How can its work be made more efficient and effective?

[Grela] When the funds are insufficient, we must make choices and establish a hierarchy of priorities. Consequently, we decided to invest in regional rather than voivodship employment offices and to allocate the sum of Z17.5 billion for their needs. Of course, that sum is far too low when set against the existing needs. However, we cannot afford more at the present moment.

It will also be necessary to reform the very structure of the employment offices and to get rid of the excessively developed system of departments, sections, and so on. I believe that I have the moral right to make such decisions. I began with myself. When I first assumed this post, I carried out a reorganization of the Employment Office's central structures. There were more departments here than at the Ministry of Labor itself, so we had an unimaginable degree of "managementization" (25 percent) and a truly excessive proportion of consultants. So I reduced the number of executive management positions because they constituted mere organizational decoration and had absolutely no justification from the viewpoint of the nature of our work here. However, the range and definition of our tasks and duties have, of course, remained unchanged. I believe that similar changes should be introduced in regional and voivodship employment offices.

[Kwasniewska] On average, how many unemployed are there per employment center officer?

[Grela] About 300. However, there is great differentiation in the figures here—which is entirely unjustified. This is another thing that is causing me much concern. In some employment centers, there are on average 170 unemployed per officer, and in others more than 400. This means that people work harder there for the same salary. Obviously, this requires some adjustment.

[Kwasniewska] In effect, the employment office has two roles to play: economic and social. Which of them is it better equipped to play?

[Grela] It fulfills its role in the social sphere reasonably well. We pay unemployment benefits to those without work, we refer them to public works, and so on. However, we must now move on to a higher level of activity. That is, we should stop talking about the labor market policy and start talking about an employment policy. In other words, we must protect existing jobs and create new ones. Our first line of action should be to guarantee job security. To this end, we should place more emphasis on developing our employment agency operations, career advisory service, and vocational retraining schemes for the unemployed. We should also develop loan schemes for new individual business ventures. All these projects do not require huge sums of money at all, and they can be easily made more effective using the employment office restructuring funds available from the budget now.

Another line of action we should pursue is that of placing greater stress on the organization of public works, emergency works, and a whole range of seasonal and temporary jobs. This could also provide steady work for a considerable number of unemployed. We have another project connected with this line of action, but the problem is that there is no legislative basis for allocating money from our budget for it. Some countries that have had many years of experience in dealing with the problem of unemployment operate job-seeking skills programs, which consist of bringing groups of unemployed people together and training them in how to apply for new jobs and present themselves to potential employers. They also brief them on existing employment legislation and regulations, changes in the labor code (for example, new regulations affecting women returning to work after maternity leave), and so on.

[Kwasniewska] The Polish Psychological Society runs similar "training groups...."

[Grela] Indeed. And if they show that something like 40 percent of the young unemployed do indeed find jobs after attending their courses, it may well provide the necessary stimulus for the creation of further special schemes of this kind by, say, employment clubs.

[Kwasniewska] Have any particularly intensive schemes been introduced in areas where unemployment is more rife than elsewhere? For example, in Western Pomerania?

[Grela] So far, we have not had any spectacular successes in these areas. The basic assistance we are able to extend to those regions is that we are able to direct more resources there from the Employment Fund. On the other hand, investors are still rather reluctant to locate their capital there, despite considerable tax concessions and other advantageous schemes open to them. As a result, this year we plan to concentrate mainly on extending our assistance in the financing of infrastructural investment projects in regions where unemployment is a particular threat. In addition, a special government-trade union task group appointed by the Office of the Council of Ministers' Sociopolitical Committee will soon begin to identify the regions requiring special help.

[Kwasniewska] How many unemployed do we have today?

[Grela] The latest figure stands at 2,889,000. April was the third successive month in which the number of unemployed fell (by 64,000). It is still possible that this is a seasonal phenomenon, which usually occurs with the approach of summer. But, at the same time, it is certainly the consequence of making better use of the funds allocated to public and emergency works schemes and other similar employment projects. For example, in February of this year, we financed only 25 percent of job offers from the Employment Fund resources, whereas in both March and April the relevant figures were 40 percent.

[Kwasniewska] What about school leavers? The summer vacation is approaching, and so a new generation of college and university graduates will be leaving their educational establishments soon....

[Grela] This problem truly gives us nightmares. As soon as they get their entitlement to benefits in the fall, we want to provide jobs for them. It would be a shame to waste all of that intellectual and career potential.... Apart from that argument, it is terribly demoralizing for young people who, having graduated from their schools, have nothing better to do than sit at home aimlessly....

[Kwasniewska] Local initiatives could work wonders here.

[Grela] I keep saying: Unemployment is a problem for all of us. Also for parish authorities. Without cooperation with local milieus and self-government structures, employment offices will be unable to discharge their obligations properly. At the moment, they are still too isolated in their fight against unemployment and have to bear the lion's share of that burden alone. One solution here would be to galvanize various nongovernmental organizations and associations into action. Examples of various initiatives among the "grass roots" prove that we ourselves can do much for "our own" unemployed.

Vacaroiu Reviews Results of Visit to Croatia

AU0806154394 Bucharest Radio Romania Network in Romanian 1300 GMT 8 Jun 94

[Statement by Prime Minister Nicolae Vacaroiu at Bucharest's Otopeni Airport on 8 June upon his return from an official visit to Croatia—recorded]

[Text] We have just returned from an official visit to the Republic of Croatia. In keeping with the established program, we met with President Franjo Tudjman and Prime Minister Nikica Valentic, with members of the government and other officials from the local administration leaderships, such as the Zagreb City Hall and the Pula City Hall, and with other prominent figures from the area and from Rijeka. We also visited several economic units.

At the same time, the visit gave us the opportunity to discuss all matters pertaining to the development of bilateral relations, beginning with political issues, whereby the Croatian officials requested Romania's further support, in view of our principled position of applying equal treatment to all states in the former Yugoslav space. They asked that we should play a more active role in solving the current problems in that area. We also gave priority to economic matters, with both sides pointing out the many opportunities for developing and expanding our relations of cooperation and trade exchanges and for setting up joint companies. Of course, we are dealing here with a pretty broad program. However, the important thing is that all officials we met there asked that Romania should become involved in the projects for the reconstruction of the areas affected by the war. Here is a propitious field for an active participation of Romania, with various companies, in these programs.

We also had a talk with the economy minister from the Croatian-Muslim Federation of Bosnia-Herzegovina, who also asked for an active presence by Romania in the reconstruction areas. Of course, we are directly interested in all these projects, which have been assured of foreign financing.

I would like to add here that three important agreements were signed on the occasion of the visit. I am referring to the agreement on mutually guaranteeing and protecting investments, the agreement on maritime transportation, and an agreement on cooperation in the health sphere. We are in the process of finalizing an agreement on avoiding double taxation and an agreement between the Chambers of Trade and Industry of the two countries. Generally speaking, I would say that all the visited units expressed their interest in the resumption of our cooperation ventures, since there has been a sort of tradition—one may say—of cooperation in machine building, in the production of naval engines by Romanian and Croatian shipyards, as well as in metallurgy, the food industry, and the pharmaceutical industry. Therefore, we discussed a broad range of opportunities.

In conclusion, I would say that this visit to Croatia has practically been a continuation of the very efficient dialogue that took place during the respective visits of the two presidents—I am referring to President Ion Iliescu's visit to Croatia and President Franjo Tudjman's visit to Romania—and took place in the spirit of the Treaty of Friendship and Cooperation existing between the two countries. We jointly agreed that a number of delegations—particularly from the big companies and concerns—should come to Romania in the forthcoming period to put the final touches to the agreements we have reached during this visit.

Of course, we also discussed various other problems, such as our relations in the cultural, education, science, and sports spheres. We have already concluded a few accords in this respect. However, our greatest shortcoming is when we come to concretely implementing all these understandings. Consequently, in the forthcoming period, we plan to work out concrete action programs for a two-year period, which can facilitate a constant flow of information in both directions, a better understanding between the two sides, and obviously mutual support for the economies of both countries.

I would add here our intention—which is also in accordance with the requests of our hosts—to open a direct Bucharest-Zagreb air link, which can also ensure further connections with other areas, including such far away targets as Singapore, Australia, and Brazil, where there is a substantial Croat diaspora. This would be quite useful, and I hope that we will manage to achieve this goal in the coming months.

PLO's Quaddumi Visits, Signs Protocol

AU0706181094 Bucharest Radio Romania Network in Romanian 1300 GMT 7 Jun 94

[Text] Teodor Melescanu, Romanian minister of foreign affairs, and Faruq Qaddumi, head of the PLO Political Department, signed a protocol this afternoon on cooperation between the Romanian Government and the PLO Executive Committee. After signing the document, the Romanian foreign minister said that the protocol is an expression of the Romanian Government's desire to continue to stay involved in supporting the peace process in the Middle East. At the same time, he said, the protocol provides a principled foundation for Romania's direct participation in the reconstruction and development of Gaza and Jericho.

Melescanu also handed Qaddumi a letter addressed by the Romanian Government to Chairman Yasir 'Arafat, which emphasizes Romania's determination to contribute to the economic reconstruction of the autonomous Palestinian territories with the offer of 50 scholarships for Palestinian students wishing to study priority economic subjects in Romania.

In his turn, Qaddumi said that the document signed today marks a new stage in Romanian-Palestinian cooperation and will consolidate bilateral cooperation to the end of establishing peace and stability in the Middle East. This report was sent in to us by our correspondent Eugen Baboi.

Qaddumi was also received by President Ion Iliescu at Cotroceni Palace. During the talks the sides tackles issues pertaining to the latest developments in the Middle East. On this occasion, President Ion Iliescu was conveyed wishes for well-being from Chairman Yasir 'Arafat, the Palestinian guest told the press after the meeting. In connection with the document signed today at the Romanian Ministry of Foreign Affairs, Qaddumi said that Romania is the first country in Eastern Europe with which such an agreement is signed. He added that this agreement is very important for intensifying bilateral relations.

The meeting between President Ion Iliescu and the PLO official was attended by Romanian Foreign Minister Melescanu and by Presidential Adviser Traian Chebeleu.

Cosea Outlines Large-Scale Privatization

AU0806181994 Bucharest ADEVARUL in Romanian 3 Jun 94 pp 1, 10

[Interview with Mircea Cosea, minister of economic coordination, strategy, and reform, by Gheorghe Cercelescu; place and date not given]

[Text] [Cercelescu] Mr. Minister, the government has finally decided to accelerate the process of privatization, which in Romania has been lagging behind quite a bit. What has led to the abandonment of the temporizing policy practiced thus far?

[Cosea] Both the slow pace and the shortcomings to date in the privatization process have obviously influenced our decision. But what made us act now was the desire not to let the opportunities of the moment go unused. We have reached a stage whereby we managed to score some results in the overall stabilization of the economy, thanks to certain monetary measures. However, these results are very fragile and their consolidation cannot be ensured without key actions in the real economy.

In our opinion, the most important measure in this respect is the privatization, which will lead to changes not only in the form of ownership, but also in the structure of the economy, primarily industry. Without such a change, we cannot relaunch production on sound bases. We also took into consideration the fact that the acceleration of the privatization process will consolidate the progress already made and will also help us make further headway. Through such an action we leave out a good part of the state sector—which is a frenetic user of public moneys—from the 1995 budget. The results thus obtained will allow us to direct our attention to other sectors of the reform—such as education, health, and culture—which we have failed to tackle so far because of the lack of financial means.

[Cercelescu] How is the mechanism for speeding up privatization conceived?

[Cosea] Our program relies on two pillars, namely involving the population in the process of privatization of the enterprises through ownership certificates and large-scale privatization. More than two years ago, the people received 30 percent of the state's assets free of charge, but only on paper. Now, the holders of these certificates are going to change them into shares and thus effectively become owners of the respective enterprises. Some 3,000 trade companies will be privatized in 1994. They will be presented to the public not only nominally, but also through a "visit card," which we will issue in order to enable everybody to form an opinion about each and every enterprise. Therefore, the citizens will be able to acquaint themselves with the social capital value of the respective enterprise, its business turnover in the past three years, its export activity, its main field of activity, the nominal value of a share, the overall number of shares, and the profit levels as a function of the business figures and social capital of that enterprise.

The citizens have 30 days to choose their preferred enterprises. Their choice will be written down in a printed option form, which will be directly sent to the respective company. The active personnel and the pensioners of the respective enterprise have priority at the exchange of certificates for shares. The shares will not be printed on paper, but we will use—as everywhere else in the market economies—dematerialized shares, that is computer-registered shares. However, the people who have exchanged their certificates for the shares will receive a written document attesting to the fact that they are shareholders.

In this connection, I would like to make the following clarification: The exchange of certificates for 30 percent of a given enterprise's shares will not bring money to the respective enterprise. The only way in which the privatized enterprises can acquire further capital is by selling the rest of the 70 percent of their shares, which thus becomes part of the large-scale privatization—whereby the employees and pensioners of the respective enterprises again enjoy priority in the acquisition of shares.

[Cercelescu] Certain developments have taken place between the time when the people received these ownership certificates and the time of their utilization, something which has substantially influenced both their value and distribution. How will these abnormal situations be solved?

[Cosea] The most delicate problem is that of the value of these certificates. We now have two values: The value given by the nonorganized market, which is between 10,000 and 15,000 lei for each certificate, and the value given by the Private Property Fund [FPP], which is in excess of 170,000 lei. In both cases, the value is underestimated. This can be easily proved. For example, if we just take the 170,000 lei value of the certificate, the total number of certificates does not cover the 30 percent of the social capital, but much less—according to certain calculations, it only covers 8-9 percent of it. We have a very simple method to calculate the value of a certificate as closely as possible to the current situation prevailing in the economy: We divide the 30 percent value of the social capital as it was on 31 December 1993 by the overall number of certificates issued. We will thus obtain a much higher value than is the case now and, what is more, it will be the same for everybody.

As a matter of fact, the acceleration of the privatization process will be achieved by granting equal changes to everybody, from the very beginning, in the most open way possible. This is what we had in mind when we established the principle of one certificate per person and enterprise. There have been many social complaints about the inequalities created by the concentration of an important number of certificates in the hands of certain persons or legal entities. In order to reduce inequalities, at least in the current stage of the process, a citizen can only choose one certificate per enterprise. If he has more certificates, he can go to other companies, but also with a single certificate, something which will disperse his capital.

[Cercelescu] Some of the enterprises put out for privatization will be very profitable and most of the people will be attracted to them, rather than go to the other ones. What will happen if the exchange options exceed the 30 percent free-of-charge part?

[Cosea] At the enterprise level, one will be able to go up to 50 percent of the social capital, following that the State Property Fund [FPS] and the FPP should agree on mutual compensations, so as to maintain the proportion of 30 to 70 percent in the overall economy. I would like to add that there are also other ways of utilizing the ownership certificates. One is to entrust them to the FPP, which will administer them and pay dividends. Another possibility is to negotiate the certificates on the bonds market, which will appear concurrently with the start of the action of changing the certificates into shares. On such a market, the certificates can be sold or bought at prices fixed by the offer and demand. At the same time, one should take into consideration a possible second wave of privatizations scheduled for the start of next year—on the basis of the same procedure—when further enterprises will be privatized, as well as those enterprises left untouched by the first wave. Until then, the list of the 3,000 enterprises scheduled to be privatized in the first wave will be finalized in June; the media will disseminate the action throughout July; the offer will come out in August; and the exchange of the ownership certificates will begin on 1 September. We hope that a good part of the economy will be privatized by the end of the year, so as to be able to proceed more rapidly along the road of reform.

Article Views Monetary Situation, Part 3

AU0706085194 Bucharest CURIERUL NATIONAL in Romanian 25 May 94 pp 1, 2

[Third of five installments of article by Alexandru I. Mihail: "Concerted Fire Upon the Leu"]

[Text] The monetary mass is also put under special pressure by its totally unequal distribution among the various categories of the population, that is, by the accentuated polarization of the money. One of the poles consists by a restricted number of physical and, especially, juridical persons, who over the past four years have accumulated a huge amount of money. Above all this refers to state-owned public corporations and companies, various private firms, certain producers, and various Romanian and foreign businessmen. There are a few dozen billionaires and several tens of thousands of millionaires. Anticipating the catastrophic collapse of the leu, they placed their money into hard currencies, buildings, real estate, automobiles, and various other highly valuable goods. A significant part of the money they invested in such goods has never returned to the economic circuit.

The other pole is represented by the almost 20 million people owning no money reserves at all, who can hardly afford to buy the most necessary things they need (food, clothes, shoes, and so on). Thus, all other goods manufactured by domestic industry are not intended for these layers of the population and therefore they cannot be sold, as they are not attractive for the rich either. This also aggravates inflation. The polarization of the money explains the paradox represented by the fact that there was a large monetary mass on the market, which meanwhile has been turned into goods, while the majority of the population still went down to the limit of absolute poverty.

The polarization of money also caused the polarization of assets. The polarization of money is a factor causing the acute growth of inflation. As the indexation of salaries and pensions cannot keep pace with the rate of inflation, the polarization of money is intensifying dramatically, which generates social tension the consequences of which are hard to be predicted.

The executive ignores this grave phenomenon of polarization of money and assets. The "evil" thing is not the fact that some persons have become billionaires or millionaires who could invest their money in productive activities, thus absorbing a significant part of the unemployed coming from the state-owned sector. The "evil" thing about it is the existence of 20 million people living in poverty, which was caused by stagnation in industrial production, agriculture, and investments. Thus, the polarization of the money is the consequence of the economic blockage, which permanently generates a financial and monetary blockage as well.

The state budget deficit is a source of inflation, which it generates by spending money that is not properly covered by the state's incomes. Even if later they find ways to cover the deficit, until they do it the deficit makes them have uncovered money, that is, money printed without any economic foundation.

Spending for consumption beyond the limits of the state budget is directly causing inflation, as the money they issue never returns to the circuit of production. Such is the case of the subsidies granted to the mining sector.

The indexation of salaries made from the state budget (in the administration apparatus, education, health, culture, and so on) increases the state budget deficit, as the state has no other appropriate income sources to cover up for the money.

The exceeding of the limits established in the state budget in areas other than that of investments also causes inflation. The negative consequences of such spending upon the monetary circulation can only be annihilated when the projects begin producing, which usually happens several years after the money was invested. This is the case of the Krivoy-Rog project, in Ukraine, in which over $600 million were invested until the end of 1992 and for which, in 1993, a further 120 billion lei and, in 1994, a further 120 billion lei were allotted. A similar situation is to be found in the case of the Bucharest—Constanta freeway, for which they spent 17 billion lei from the budget, after which work was halted owing to lack of funds. This will delay the inauguration of that freeway and, implicitly, the return to the economic circuit of the money that was already invested.

The originally expected budget deficit of 430 billion lei in 1993, which was later modified to 800 billion lei, also means inflation. Regardless of whether one has to deal with the initially expected budget deficit, the modified one, or the one actually registered in the end, in all instances the state budget deficit causes inflation. Currently it is even the principal source of inflation. This is why both the International Monetary Fund and the World Bank watch the evolution of the state budget deficits of the countries they offer assistance to so closely, including Romania. The state budget deficit is a key performance criteria reflecting the actual stage reached in the recovery of the economy or in its degradation, as in the case of Romania.

The programmed deficit over 1994 amounts to 1.9 trillion lei and this continues to generate inflation. This is why it is not recommendable that parliament should try to further augment the budget deficit.

Over the second half of 1993, the executive took certain measures that also increased inflation. First, they reintroduced the initial customs taxes, thus eliminating the tax reductions and exemptions on certain products. This made the price of those products go up. Beginning with 1 May 1993, even staple foodstuffs were subject to high customs taxes, usually 25 percent, which increased costs and their retail price. Let alone the fact that they also introduced customs taxes for products that are not manufactured in the country at all, which is clearly an aberrant thing.

An important increase in costs and retail prices was caused by the introduction, beginning with July 1993, of the value-added tax [VAT]. In the case of a great number of products of services that previously used to be subject to turnover taxes of 1, 3, or 5 percent, the VAT, which amounts to 18 percent, significantly increased their costs and prices. Previously, under the circumstances of a 1-percent turnover tax, if a product changed hands five times, the total sum of taxes amounted to 5 percent. Even if the turnover tax amounted to 3 percent, in the end it amounted to 15 percent, which is still less than the VAT applied only once. The introduction of the VAT for imported products, including foodstuffs, made their prices skyrocket, thus aggravating inflation.

The introduction of increased customs taxes and the subsequent introduction of the VAT had an inhibiting effect, as customs taxes of 25 percent plus the VAT amounting to 18 percent made the price of imported goods increase by 43 percent, which discouraged imports. Considering the current state of economic regression, the 18-percent level of the VAT is totally exaggerated, let alone the introduction of VAT in the domain of energy and fuel imports, which is wrong, as it further increased their already high prices so that both companies and the population find it increasingly difficult to pay for them.

The same inflationist effect was caused by the introduction of very high profit taxes in the case of a large number of important products.

If one added the 45-percent profit taxes to the customs taxes and the VAT, one will clearly see that the tax policy applied by the Vacaroiu government is a repressive, rather than a stimulating one.

The grave consequences of the measures taken in 1993 are quite obvious, because as a consequence of them, the price of the great majority of products and services increased two or three times. Such products are: meat, sugar, edible oil, rice, wheat flour, coffee, cigarettes, electric power and heating, public transportation, and interurban transportation. In the years 1990 to 1992 there was no similar shock. For the population this was tantamount to a genuine disaster, as the 50-percent indexation of salaries and pensions could not reimburse the 300-percent increase in the prices of products and services weighing heavily on their household budgets. It was admitted unanimously that inflation got out of control beginning with the second half of 1993. As a matter of fact, a proportion of over three quarters of the 320-percent inflation registered in 1993 occurred during the second half of that year.

By applying such measures, the state budget was partially salvaged, as the state income became higher. However, this was possible only by the unprecedented increase of prices that made the standard of living drop drastically and that impoverished large categories of the population.

Part 4 of Article Published

AU0706190794 Bucharest CURIERUL NATIONAL in Romanian 26 May 94 pp 1, 2

[Fourth of five installments of article by Alexandru I. Mihail: "Concerted Fire Upon the Leu"]

[Text] Recent recommendations of the International Monetary Fund [IMF] and the World Bank laid a special emphasis on the reduction of the arrears. These are unpaid and overdue debts over many months, sometimes even years. Besides hindering production, the arrears cause great delays in the paying of debts toward suppliers, banks, the state budget, and so on.

Over the past years, the overall amount of money blocked in this way in our economy varied between 1 and 3 trillion lei. This is a monetary mass parallel to the monetary issue proper. The discount documents issued for money that has never been cashed in are actually unproductively piled up money. This artificially created monetary mass generates inflation because the initially blocked companies, as well as those subsequently blocked in a kind of a chain reaction resort to anti-economic steps in order to overcome the situation: They reduce production, personnel, and salaries, prefer to manufacture goods solely for export, and hoard the hard currency they earn. All this generates inflation.

Arrears are a breeding ground for inflation, because the money they represent, regardless whether they are debts to be paid or debts to be cashed, never returns to the monetary circuit. This is money that is actually buried in a genuine cemetery of dead money. The covering of arrears of any kind by taking or granting further bank loans represents inflation caused by inflation. It is tantamount to a genuine financial disaster. We resolutely assert this so that the grave mistakes made over the past years should not be made again. Because it is not the money that makes the economic situation recover, but rather the other way round, that is, a betterment can only be achieved by economic measures, above all by restructuring and re-equipping the economy.

Besides the state budget deficit and the arrears, the most grave current aspect of Romania's finances is represented by the huge volume of the so-called current bank loans, which cannot be paid back. This is a source of catastrophic inflation. Currently, the overall volume of bank loans amounts to 4 trillion lei, which greatly exceeds the maximum limit established by the IMF, a limit which is considered by them as one of the performance criteria they expect us to comply with. That criteria was not imposed whimsically by those international financial and banking bodies, but rather by force of the objective fact that the loan bleeding also means inflation, as such money never returns to the circuit of production.

Out of the total amount of loans, worth 4 trillion lei, over 3.5 trillion, that is, about 90 percent, was granted to the state-owned economic sector. Some of the public corporations and the state-owned companies that perform badly, lose money, produce for stockpiles, or work at low efficiency are unable to repay the loans they were given. In despair they plunge further into the red, because they take newer loans that are increasingly expensive. This may be regarded as a genuine cemetery of loans, which is continuously growing, and to which also the due interest ought to be added, which currently amounts to about 250 billion lei per month.

The growth of inflation, as well as the danger of being left without capital made the BNR [Romanian National Bank] increase the interest rate of loans granted in auctions to 120 percent and the interest rate of the so-called overdraft loans to 250 percent. The other banks cannot reactivate the loans taken previously and therefore they are compelled to take new loans from the BNR at a 250 percent interest rate, which they cannot possibly pay back. Under such circumstances, the latest restrictive measures and the increase of the interest rates block economic activity more and more severely.

Currently all ways to finance economy by means of loans are quite discouraging, because the loans granted in auctions are offered for merely a few weeks, while in case of the overdraft loans obtained from the BNR, the commercial banks apply an interest rate amounting to 260 percent. Under such circumstances, merely a few hundred million lei's worth of loans at a 260 percent interest rate were taken, which is very little compared to the companies' desperate need for funds.

Worried by the rate of inflation, not only companies, but also banks began to invest their own financial resources in buildings, automobiles, and other highly valuable goods, which further reduced their resources to be used to offer loans. The banks' fear of losing their capital is a far graver phenomenon than the paralyzing of the economy by prohibitive interest rates and the cessation of new loans owing to the lack of capital.

Under the circumstances of the rampant increase of the inflation rate, the excess amount of money existing on the market cannot be absorbed by the issuing of state bonds or other similar things, such as the shares of privately owned companies. This is why the state failed when it issued bonds trying to borrow money from the population and companies in an attempt to cover the budget deficit to curb inflation. Each time they tried, they failed because only a handful of persons were willing to invest money in slips of paper the value of which was continuously dropping and their refund date for which lies years away.

Besides, why should the citizens and the companies trust the correctness of the state's policy, after they got used to their hard currency being confiscated, the leu's exchange rate being arbitrarily established, and their salaries and pensions being indexed in a proportion that by far does not cover the price hikes and the increase in taxes, fees, and the suffocating interest rates? Those who today own bonds issued in the previous years by the state are currently struggling to regain their money, as the amounts they invested have depreciated gravely. The same lack of confidence of the citizens and companies made the National Road Administration refrain from issuing bonds so that it could pay back to the state the 14-billion-lei loan it had been given from the state budget for the initial works on the Bucharest-Constanta freeway, although Government Decision No. 472 of 29 August 1993 stipulates the issuing of such bonds.

In order to make bonds more attractive, not only the interest, but also the invested money should be periodically indexed on the basis of the evolution of the lei-dollar exchange rate. But who would venture to do such a thing over many years in the name of the state, which is accustomed to always gaining and never losing money in its economic relations with companies and citizens?

The shares issued by certain privately owned companies also have a limited scope, first because, in our country, there is still no stock exchange market where one can trade one's shares freely; second, because the stock companies do not offer sufficient shares because they cannot offer annual dividends that exceed the 100 percent interest rates paid by the BCR [Romanian Commercial Bank] or the Agricultural Bank.

Generally speaking, bonds and shares, regardless of whether they have been issued by the state, private companies, or banks, cannot absorb the inflation.

The fact that bonds and shares, under the circumstances of the decline of economy, are inefficient means to curb the aggressive growth of inflation is also proved by the fate of the so-called property vouchers, which were handed out to the almost 16 million adult citizens of Romania. Considering the value of 140,000 lei attributed by the state to each of those vouchers, the whole amount exceeds 2.2 trillion lei. However, owing to the fact that the vouchers cannot be used as shares of very profitable companies, their actual value is much lower than the one attributed to them by the state. This is proved by the fact that in railway stations and markets people offer them for sale for a few thousand lei. Let us not deceive ourselves: We have always been and continue to be owners of mere slips of paper. The ridiculous dividend amounting to 400 lei offered for each share of the Cluj-based Ursus company—the first company that ever issued shares to the population—clearly reveals the fate of the property vouchers when they are turned into company shares.

Part 5 of Article Published

AU0706190994 Bucharest CURIERUL NATIONAL in Romanian 27 May 94 pp 1, 2

[Fifth of five installments of article by Alexandru I. Mihail: "Concerted Fire Upon the Leu"]

[Text] Owing to the fallacious economic-financial policy conducted over the past four years, currently, and in the near future, the leu is under the pressure of a mass of over 10 trillion lei. This inflationist mass has been caused by the 1993 budget deficit which exceeded 800 billion lei to which the budget deficit of 1994 may be added, programmed to rise to almost 1.9 trillion lei. The same kind of inflationist money is represented by the over 350 billion lei's worth of nonperforming loans granted over 1990 that was transferred to the public debt. That was another antireform measure intended to further weakened the leu in an attempt to continue to protect the state-owned economic sector.

The leu is also under the pressure of the major part of the 4 trillion lei worth of loans which have been granted to state-owned companies. These companies have their hands full trying to buy raw materials and pay for the energy, fuel, salaries, and so on, while the money they earn by selling their products is totally insufficient to pay back the loans. Aside from this, a part of those loans was and still is used to manufacture goods that are sold at a loss or remain unsold, on stocks. This is a genuine cemetery of loans that paralyzes economic activity, because the banks are unable to regain and reuse that money. The recommendation recently made in Bucharest by the head of the IMF delegation to reroute a part of the loans currently held by the state-owned sector to private companies may be followed only if a significant number of state-owned companies are closed, an inconceivable thing for the executive.

Another thing that is exerting pressure upon the leu is the continuation of the production for stocks, which is proved by the fact that over the first four months of 1994 the stocks of unsold goods have increased by 10 percent.

Arrears (unpaid investments and debts among companies) worth about 2.8 trillion lei may be added to all this as buried money that has been taken out of the monetary circuit, which is a direct source of inflation. The salaries paid by state-owned companies, which lack the necessary financial resources to do so, also belong to the category of inflationist money. Furthermore, pressure is being exerted upon the leu also by the hard currency amount of about $800 million currently existing throughout the country (for which lei were spent) and which is hoarded up in the country or abroad by the companies that fear that the leu will further devaluate or that their money would be confiscated. A total mass of 10 trillion lei is thus putting the fragile leu under a tremendous pressure. As a matter of fact, the inflation rate of almost 230 percent registered in 1993, which was 4 to 5 times higher than expected, fully attests the inflationist monetary mass currently existing in the country.

Parallel to all the aforementioned direct and immediate factors, our national currency is submitted to a latent and long-time erosion by the fact that poor quality products at exaggerated prices are still being produced (shoes, clothes, cosmetics, alcoholic beverages, cigarettes, soft drinks, radio and color television sets, and so on) that are surpassed by similar foreign-made products. The same goes for the extremely expensive and totally unsatisfactory quality of the services. A special pressure is exerted upon the leu by the high costs of energy, heating, telephone, and so on, which, together with the high food prices, exhaust the incomes of the large majority of the population and prevents it from buying non-edible products.

A similarly great pressure is exerted upon the leu by the avalanche of taxes, fees, the taxing of taxes, interests, commercial taxes, and so on, which artificially increase the price of products and services, at the same time also hindering economic activity. The accentuation of the polarization of money and assets, as a consequence of the economic blockage, turns a great number of workers, public servants, pensioners, and so on, into an immense mass of non-consumers of non-edible products.

The leu is also under the pressure exerted by the tremendous financial effort made to reimburse the due installments and the interests for the loans taken from abroad. The fact that the Romanian National Bank has been buying dollars for that purpose has a double inflationist effect, first because it is paying over 1,600 lei for $1, and second because thus it deprives the companies of the hard currency assets they would need for imports so that they can produce for export.

Such being the objective terms of our current economic-financial situation, the optimistic assessments made on the occasion of the signing of the accord with the IMF with respect to the efficiency of the measures intended to achieve economic restructuring and the boosting of privatization, including the measures to improve the tax and the banking system, lack any real basis. Our industrial potential, which has not been re-equipped over the past 20 years and which was further destroyed and submitted to decay over the past four years, cannot be mended within a few months. Promises made regarding the recovery of economy and the increase of our standard of living over the second half of 1994 lack any grounds.

In 1994 the Romanian economy needs about $7-8 billion for the import of the absolutely necessary quantities of energy, fuel, raw materials, equipment, and staple foodstuffs, as well as for the reimbursement of foreign loans and the payment of the interest. The Romanian economy is unable to produce that much. One feels powerless and bitter thinking that countries such as Sweden, the Netherlands, Switzerland, South Korea, and so on, achieve exports worth $7-8 billion within only a few weeks! Whereas we are running about asking to be lent a few hundred million dollars, which momentarily eases our situation, but, in the long run, will be a new burden. In this context it seems at least strange the way in which the executive appreciates the new foreign loans we have been granted, while actually that money will make the situation even more difficult because our foreign debt will increase by about $1 billion.

On the other hand, we will be unable to comply with the objective criteria imposed by the IMF and the World Bank, namely the growth of the gross industrial product, the freezing of the state budget deficit at the established level, the observation of the established inflation rate limit and that of the total amount of money handed out as loans, the substantial reduction of arrears, and the diminishing of the deficit of the foreign trade balance of payments by making exports supersede imports and not by taking further foreign loans, as is being currently done.

The fact that we become indebted and have to pay hundreds of millions of dollars in order to partially better the balance of foreign payments, that is, to refund other debts and to consolidate the hard currency reserves of the country, is actually a failure, rather than a success.

After almost four years of great phrases about economic reform, today, everyone realizes that all these things cannot be achieved unless large-size state industry is privatized and unless foreign capital is attracted to re-equip our economy and make large-scale investments. The re-equipment of the industry alone would cost more than $20 billion. This requires a radical change in the current conceptions and legislation. Because no one wants to buy the assets held by the large state companies, which currently are assessed to be worth over 20 trillion lei, a value that with each new appraisal will continue to grow on paper, but not in reality. Besides this, great Western companies will never invest in Romania under the circumstances of the aggressive devaluation of the leu and the current regulations guaranteeing the security of the investment, land property, the recuperation of the investments in hard currency, and the duration of the recuperation.

However, the current authorities (the parliament, the presidency, and the executive) finds such radical changes inconceivable. Those authorities are also doing everything they can to block private initiative and property and to maintain and strengthen state property and the involvement of the state in the economy. That is why reform is not progressing at all, as the current authorities are unable to implement privatization and to achieve the restructuring of the economy, which are key elements of the reform. The [IMF] memorandum will appear in front of our eyes more like a mirage, because each day we are getting farther away from it, despite all the optimistic statements made by the executive.

The principal obstacle hindering the recovery of our economy is the lack of capital, and this problem will persist, because as long as there are no other cheap resources available, and depositors are paid 100-percent interest, our commercial banks will be unable to cut down the interest rates of the loans they grant, unless they are prepared to run the risk of losing their capital. Prices will continue to grow, inflation will increase, and the leu will not recover. Over the future months, they will partially or totally close down a great number of industrial units, as it will become impossible to provide them with energy, fuel, raw materials, and so on, because neither further subsidies from the state budget, nor further bank loans will be available for them. Even the companies that still have money and raw materials will be unable to sell their products for want of purchasers. The number of the unemployed will grow and the amount handed out to them as allowances will become merely symbolic. Owing to the lack of capital and clients and suffocated by high taxes, fees, and interest rates, numerous privately owned companies will cease activity.

All layers of the population will be affected, both the employees working in the state or private sectors and the ones working in the state administration, education, health, culture, and so on. Owing to lack of resources, it will become impossible to merely partially index salaries and pensions, as used to be done until now.

The year of 1994 will doubtlessly be the most difficult one of the transition period, with large-scale social convulsions caused by the accentuation of the economic crisis and general pauperization. All this will happen regardless of who holds power, as there are no short-term solutions to make the national economy and currency recover. The blocking of the reform costs and will continue to cost a great deal.

Izetbegovic Visits Tuzla, Meets Officials

AU0806191094 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 8 Jun 94

[Text] We have just received two more reports on the activities of President Izetbegovic:

As a part of his visit to the free territories of our country, President Alija Izetbegovic is visiting Tuzla today, where he will meet with political and public representatives, as well as members of the armed forces. President Izetbegovic spoke with Turkish President Suleyman Demirel over the phone today. They exchanged opinions on the current situation in our country. Demirel congratulated President Izetbegovic on the Bosnia-Herzegovina Federation agreement and its realization. He also reiterated Turkey's support for Bosnia-Herzegovina.

Bosnian Serb Official Lists Disputed Areas

LD0806162494 Belgrade TANJUG Domestic Service in Serbo-Croatian 1535 GMT 8 Jun 94

[Text] Banja Luka, 8 Jun (TANJUG)—"The remaining disputed issues concern western and eastern Herzegovina, Posanje (the Sana river valley), the towns of Krupa na Uni, Prijedor, Sanski Most, Podrinje, the towns of Gorazde, Visegrad, and the wider Srebrenica area—territories they wish to take away from the Serbs." This was stated by Momcilo Krajisnik, president of the republic of Srpska's national assembly, in a statement for today's edition of GLAS SRPSKI of Banja Luka. He said that the republic of Srpska delegation pointed to the shortcomings of their demand to cede 51 percent of the former Bosnia-Herzegovina to the Muslim-Croat federation if the quality and quantity of the territory is not taken into account.

"We explained that the tendency to expand Muslim and Croatian territories at the expense of the Serbs is unacceptable and in poor taste," Krajisnik said, adding that the Serbs cannot possibly renounce lands that represent a vital interest of the Serbian nation, as is the case with Posavina.

"They envisage only a narrow corridor for the republic of Srpska, although this territory is the only link the western Serb lands have with Serbia proper," Krajisnik said in his statement for "GLAS SRPSKI." "In any case, this territory is of much greater importance to the Serbs than it could be to the Croats or Muslims."

Ganic's Assessment of Federation Positive

AU0906091794 Zagreb VECERNJI LIST in Serbo-Croatian 5 Jun 94 p 7

[Interview with Ejup Ganic, vice chairman of the Federation of Bosnia-Herzegovina, by S. Lovrenovic; place and date not given: "The Federation Is 'Stalingrad' for a Greater Serbia"]

[Text] *It was difficult to reach Mr. Ejup Ganic after his election, although he wanted to keep his promise and give an interview for VECERNJI LIST, a promise he gave before the election. He found the time for this interview after the session of the general assembly and before the beginning of a new round of Geneva negotiations.*

[Lovrenovic] What are your first impressions as the vice chairman of the Federation of Bosnia-Herzegovina? What are your first tasks and duties?

[Ganic] There is a lot of work, but there is much enthusiasm and cooperation, too. Our work is very responsible. I think that we are at a turning point in history now. This is a special moment, and we must not miss this chance.

Cooperation With Zubak

[Lovrenovic] You have been elected together with Mr. Zubak. What is the cooperation between the president and the vice president immediately after the election like?

[Ganic] The cooperation is functioning quite normally. We met in Sarajevo a month ago, but we could talk for only 10 minutes. Then we worked together during the Vienna negotiations for three or four days. Our cooperation was very intense there. We both participated in the talks that took place in France, too. This is normal since we are both working on the same tasks. I can say that our contacts have always been professional, we have always reached agreement on things that had to be agreed upon. We have similar methods of work, so that I hope that we shall be able to achieve results in the interests of both the Muslim and the Croatian population in the Federation of Bosnia-Herzegovina, and, naturally, to the benefit of the whole of Bosnia-Herzegovina.

[Lovrenovic] There were no problems with the election, but have you perhaps noticed a certain resistance toward the Federation?

[Ganic] There is a long and very steep path before us. It will be difficult, but the agreement on the Federation is very important, so that certain groups of people or individuals who oppose it should be given no powers whatsoever to thwart this historic process. I would like to repeat that the Federation is "Stalingrad" for a greater Serbia.

Serbian Annexation Policy Stopped

[Lovrenovic] Why do you think that this will be a turning point in the relations with the Serbs?

[Ganic] This is a concept that will enable Croatia and Bosnia-Herzegovina, which are internationally recognized, to retain their borders. It will also stop the Serbian annexation policy. This is something that has repeated itself every 20 years in the Balkans. Territories and properties have been seized little by little, but we shall bring an end to this policy. Apart from that, we would like to find a formula for a new military balance. The

Federation is opening new possibilities for both Bosnia and Croatia. We are not conspiring against anybody, this is only a healthy and logical concept since both nations have a tendency toward the Western type of democracy. They have their historical roots in this area, they are close to the Western civilization character.

[Lovrenovic] Does this mean that you support a confederation with Croatia? After you become the president of the Federation, according to the rotation principle, will you try to bring this concept into existence?

[Ganic] Bosnia has always supported a confederation with Croatia. Croatia will more or less determine the scope of the confederation agreement. It has the sea, we have electrical energy, they have more food. There is compatibility between our economies and communications. We have similar friends in the world. There is much logic behind this. We are not doing anything behind anybody's back. Our cooperation is the result of democratic processes that are going on in Europe, or rather of the integration of economic interests. We shall try to unite our interests with the Croatian.

[Lovrenovic] There were rumors in Sarajevo during the session of the assembly that the Washington agreements were opposed by the ruling party, the SDA [Party of Democratic Action], which is also your party.

[Ganic] There was no resistance to these agreements. People just asked certain questions. The Federation is the best possibility of saving Bosnia-Herzegovina as an entity. We hope to see its revival in every part of our territory. We do not want to change its borders and we want to reduce those Serbs who are not loyal to the limits they are entitled to. In other words there were only questions about what, how, where, how much, who supported it etc., but there was no resistance. Our party [SDA] is not homogeneous, there are groups and individuals who always ask questions and have contradictory opinions.

Rotation Every Six Months

[Lovrenovic] Some time ago the SDA proposed that Mr. Izetbegovic should be the president of the Federation, but this proposal was withdrawn later on and you were subsequently proposed for that function. Is this true?

[Ganic] The SDA Executive Committee made that proposal without having consulted Mr. Izetbegovic. In the negotiations with Croatia we discussed all issues, though. Borders, cantons, the government, as well as the functions of the president and the vice president. During the negotiations Mr. Izetbegovic himself proposed making the concession to the Croatian people to appoint a Croatian national as first president of the Federation, although we have a larger population. The proposal that I should run for the position of vice chairman came later on. Mr. Izetbegovic made these proposals because is the party leader. Apart from that, by appointing me vice president of the Federation, he distributed the burden of responsibility to two persons. Later on we agreed on the six-month rotation principle. The most important thing, however, is that the Parliament, the government, the president and the vice chairman cooperate. I think that this is a good solution. The fact that the first Federation president is Croatian is important, too.

[Lovrenovic] Will you automatically become president in six months, or...?

[Ganic] According to the Vienna agreement there should automatically be a change after six months. I am not insisting on my election to the position of the president of the Federation. It is more important that we complete everything we started in these six months, the elections and peace negotiations; then we can elect a new president, too.

Izetbegovic's Deputy

[Lovrenovic] Are you a member of the Presidency of Bosnia-Herzegovina?

[Ganic] I had, more or less, the function of Mr. Izetbegovic's deputy during his journeys. It will be a useful experience for the work as the Federation vice president. I would like to point out that the Federation is a special task. We have to organize the life in its Muslim part. Our most important task is to make official authorities more efficient and to establish traffic communications and economic relations. Apart from that, we have to finally close the ditches between the Croatian Defense Council and the Army of Bosnia-Herzegovina. We should enable our people to return to their homes. The Presidency of Bosnia-Herzegovina represents the internationally recognized state of Bosnia-Herzegovina, I do not see any problems here.

[Lovrenovic] Is it not difficult to accept two presidencies, two parliaments, and two governments?

[Ganic] These are not two states, though. The whole state belongs to us, only certain parts of it are occupied. The task of the Parliament, the president and the vice president will be to make the Federation function. In the process of personnel structure and diplomatic network development it will be important that the Federation starts functioning as soon as possible. We must send those people into the diplomatic service who will be able to make the biggest contribution to the development of our Federation. The more powerful the Federation is, the more powerful will be our capacity to defend ourselves. I think that we shall have to agree on the distribution of ambassadors' posts.

Appointment of Ambassadors

[Lovrenovic] Can you give me an example of who will be appointed ambassador to Great Britain and France? Will you and Mr. Zubak appoint these people, or the Presidency of Bosnia-Herzegovina?

[Ganic] As long as we are in a state of war, the state has to be represented by the Presidency, but Mr. Zubak and I shall make proposals about who should be appointed ambassador.

[Lovrenovic] Does this mean that the foreign policy will remain within the scope of work of the Presidency of Bosnia-Herzegovina?

[Ganic] Yes, but this is because the Presidency is an internationally recognized subject. Mr. Zubak and I shall certainly have to agree on where a representative of the Croatian people will be posted.

[Lovrenovic] This means that the Federation is not a legal subject according to international law and that it cannot have diplomatic and consular representatives.

[Ganic] It is not a legal subject according to international law. Neither does it have its representatives. Its representatives are the representatives of the Republic of Bosnia-Herzegovina, which is an internationally recognized state.

[Lovrenovic] You do not believe in a new Yugoslav state, but you have invited the Serbs to stay in Bosnia-Herzegovina. Does this mean that you believe in their coexistence in Bosnia-Herzegovina?

[Ganic] Yes. We have invited them to stay so that they can learn to respect human rights.

Will the Serbs Stay in Bosnia-Herzegovina?

[Lovrenovic] Do you really think they will stay in Bosnia-Herzegovina?

[Ganic] We shall not allow the borders of Bosnia-Herzegovina to change. We shall not interfere with the Serbian policy in those regions where they have a majority, but we shall oppose a greater Serbia. We shall oppose the annexation of our territory, too. They cannot create a greater Serbia unless they seize the territory in which the Muslims and the Croats are the major population.

[Lovrenovic] You invited the Serbs to join the federation before the election....

[Ganic] I would like to point out that I have never done anything against Serbia. I have always had fair relations toward the Serbs and have helped those Serbs who have supported Bosnia. From the session of the parliament during the election I sent a political message to the Serbs.

[Lovrenovic] Do you believe that the Federation will soon start functioning in the full meaning of that word?

[Ganic] I do, otherwise I would not have started working on that project. I usually refuse projects that cannot be implemented since I am very analytical. I make my decisions based on my personal attitude and relevant political circumstances, I never get involved in matters that have no chance.

[Box, p 7]

No "Common Apartment"

[Lovrenovic] Will "the mixed cantons," that were agreed on in Vienna, make the Federation stronger, or will they become a "powder keg?"

[Ganic] I think they will make the Federation stronger. There is no reason why they should become a "powder keg."

[Lovrenovic] Will they not be like a "common apartment?"

[Ganic] There is no "common apartment" here. We shall have common roads, rivers, electric power plants, but our estates will be divided.

[Box, p 7]

I Was the First To Go to Ravno

[Lovrenovic] You have given several interviews so far, one of which—the one published in GLOBUS—was interpreted as anti-Croatian.

[Ganic] Some papers are full of fantasy. You should follow my attitudes, my publications, my statements for CNN and other television stations. You should forget compiled interviews I have never given to anybody.

[Lovrenovic] Have you given an interview to Mr. Brljevic from GLOBUS?

[Ganic] I gave him an interview some time ago, but he made several interviews later on, without having interviewed me. He made compilations and invented things. GLOBUS tends to invent certain things. I am a serious politician, though. I have presented my political attitudes in the 60 articles I have published so far, so that it can be proved that I have been making a consistent policy toward the Croatian people since the very beginning. I hope that you can remember that I was the first one to go to Ravno. I have visited the whole of Herzegovina and said what was good and what was bad there. I have been very consistent. The interview in GLOBUS was a cheap campaign against me without argument.

[Box, p 7]

Sandzak Is a Part of Bosnia

[Lovrenovic] You were reproached for having declared yourself a Yugoslav before, alluding to your birthplace.

[Ganic] Everybody is born somewhere. Apart from that, Sandzak is a part of Bosnia. The first amputation made at the Berlin Congress harmed Bosnia-Herzegovina, but the Muslims remained there. I am a Muslim to the same extent as someone who was born in Sarajevo. My birthplace is completely irrelevant in this context. On the other hand, I have to say that the Muslims were very loyal to the former Yugoslavia. We even tried to save that state, but since Milosevic wanted to create a greater

Serbia, our love disappeared. I had a pro-Yugoslav orientation during the time Yugoslavia existed, I supported a democratic Yugoslavia, like many other Muslims, but I could not support a "Serboslavia." What is more, I opposed that kind of Yugoslavia. I was the first to write articles about the intentions of the Yugoslav People's Army, which caused political discussions.

[Lovrenovic] Would you support a democratic Yugoslavia today—an option offered by certain Western circles?

[Ganic] I do not think that Serbia could adapt to it. The change was too big. Even the opposition in Serbia uses nationalism as the only political platform. I think that it is an illusion to speak about a new Yugoslavia.

Silajdzic Evaluates Situation in Bosnia

94BA0292C Belgrade BORBA in Serbo-Croatian 14-15 May 94 p 5

[Interview with Bosnia-Herzegovina Prime Minister Haris Silajdzic by Dragan Banjac in Sarajevo; date not given: "All Doors Are Open to Bosnia"]

[Text] "I have spent more time in Belgrade than the entire Serbian leadership in Pale," said Dr. Haris Silajdzic, prime minister of Bosnia-Herzegovina and until recently its foreign minister. Although he rarely gives interviews, this one, he said, was, as it were, uncontested, and after the observation given above as the original title he continued with a serious, almost leaden, expression and a quiet, even-pitched voice.

"As I said, I have spent quite a bit of time in the capital of Yugoslavia, and I keep on wondering: What happened? What happened to the environment in which people were the first and most free in raising their head against the tyranny of the former regime. I know that there have been attempts at clustering of groups and individuals, statements against the aggression against Bosnia and Herzegovina, but all of that is surprisingly little and feeble."

[Banjac] What happened here in Bosnia?

[Silajdzic] Should I say that what happened here was war! That 200,000 people have been killed, that people here murdered, raped, and massacred... mainly non-Serbs—Muslims. In any case, there seems to be an erroneous idea of Bosnia, especially of Muslims. It is one thing to lie to someone else and something else to lie to yourself. As though knowledge of this republic never went beyond jokes and consideration of it as a twilight zone. This corresponds to the notion that the officers force-fed into many people's minds. Not much is known even about Sarajevo. You people there are still associating us too much (exclusively) with good sausage and music. Sevdah [lover's longing] and merak [lover's sadness], which are also close to the Serbian spirit and mentality, but that falls short.

[Banjac] What is that other dimension of Bosnia?

[Silajdzic] Cosmopolitanism, it is inherent here, there is a cultural polyvalence here which gave rise to a historic quality which people there are not aware of. At the same time, suddenly faced with am opponent they could not defeat with tanks, they were astonished. Faced with an opponent who defends himself with his spirit, his intelligence, his ability to represent himself and find friends. They are confused in the face of those facts. Today all doors are open to Bosnia (but look at Serbia and Belgrade, which a decade ago was on the way to becoming a regional center and developing, and now it is imploding). We are received and respected by everyone. In world capitals I meet hundreds of intellectuals from Serbia, young men and women who are melting away in a kind of bitterness, in some kind of unproductive nihilism, in the belief that the best years of their lives have been taken from them. Because of an archaic view of the world in which blood and violence to territory take preference over much more important things. As though we came out of the cave yesterday.

[Banjac] Nationality is an obsession of many people at the moment?

[Silajdzic] Yes, but that is not clear to me. People are born Serbs or Bosnian Muslims without doing anything about it. If they do not go beyond that, if they do not add any values above that, this means that they have wasted their lives. Another problem is that many are aware of this and want to add some meaning, some value per se, to that flight of theirs as a Serb, as a Croat, or as a Bosnian Muslim. By the very fact that I am a Serb, there is nothing more in life that I need. Or possibly the murder of non-Serbs in order to prove oneself as a Serb. Where is the logic here, the sense of the future? This has never been altogether clear to me. Second, conquering territory as Bosnia was conquered after an archaic model—the lobbing of steel into cities—makes no sense at all today.

[Banjac] Who has had what part in destroying Bosnia?

[Silajdzic] On the territory controlled by Karadzic's Serbs there is no longer a single mosque (they have been keeping livestock in them, destroying them, some they have used as parking lots), all the way from Foca to Banja Luka; on the territory under control of the government and the Army of Bosnia and Herzegovina the churches are not being demolished. You have seen for yourself that the other day we repaired the Holy Transfiguration Church in New Sarajevo, which the Serbian forces had destroyed from the hills. The money was furnished by the government.

[Banjac] The horrible institution of the camp has also been revived in the Bosnian war....

[Silajdzic] Manjaca and Omarska are Treblinka and Auschwitz in our eyes. I have talked with the raped women—they were raped by men from Serbia. We held about 40 people in Tarcin, prisoners of war from

Karadzic's military units near Sarajevo. (In Kula the Serbs are holding Bosnians, 22 people were taken out from there and murdered in the woods near Rudo. They were natives of Doboj.) As far as Tarcin is concerned, there has been a great deal of manipulation with the break into the prison, but the entire truth is that recently a group of refugees from Gorazde broke into the prison and took away three people.

Here in Bosnia there is much from the Stone Age in any case. No one knows what is happening to the Bosnian Muslims in Prijedor, in Banja Luka.

[Banjac] How do you view the Washington agreement?

[Silajdzic] The agreement did not come about overnight. It was talked about back last year (Izetbegovic, Tudjman, Hrvoje Sarinic, Miomir Zuzul, Ivo Komsic, and I), but the United States role was decisive. However, there is a big job to be done in the field, since quite a few people were caught by surprise. When someone asked why the United States is so important, I reply: Whenever we have been in a situation of correcting the injustice imposed by adoption of the embargo, as was the case, for example, with Igman or Gorazde, we call the United States. We know that the Russians are backing Serbia, and only a political illiterate would fail to seek a balance from the United States.

[Banjac] What do you think about President Izetbegovic? There is talk about certain differences of opinion?

[Silajdzic] I think that he is humane, that he tolerates differing opinions. That has of course occurred, and as far as the two of us are concerned, we resolve those things directly and openly. From him I am learning patience, which I otherwise lack in my approach from a reasonable and tolerant viewpoint. This is a man who has given his all in the struggle for Bosnia and Herzegovina. He is not a conventional politician. In a way Bosnia is identified outside, in the eyes of the world, with my insignificance. There is no difference in how we see Bosnia. To be sure, a few people have obviously been trying to rig some kind of disagreements between us and to bring me artificially into confrontation with the president, by spreading stories and by lobbying. This is done by people who have time on their hands, and none of it has to do with the future and the building of this state.

[Box, p 5]

If Need Be, We Will Defend Ourselves for Decades

[Banjac] What is the future of Bosnia and of the Serbs in the part you have been fighting and striving for?

[Silajdzic] As far as we are concerned, Bosnia remains within its international borders. There are no tanks or fascists to keep us from that. If need be, we will defend ourselves for decades. As far as the Serbs are concerned, those are with us are not in dispute. As for the others, there are Serbs, as far as I know, from Banja Luka to Pale. I hope that they will find sufficient strength to reject that fascism that is leading them to ruin. Ask them whether Serbs are floating down the Miljacka, are Serbian children being thrown to the lions? Call in newsmen from Belgrade to come and see what is happening here. The best thing you can do to help your people is to be with them here.

Sarajevo Radio Praises Delegation at Talks

AU0806183094 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 8 Jun 94

[Text] The position of our delegation toward the peace negotiations in Geneva is evidently increasingly gaining trust of the international community. A document was signed at the talks in Geneva that have just ended aimed at halting the combat in Bosnia-Herzegovina—by which a one-month cease-fire will come in force throughout Bosnia-Herzegovina as of noon 10 June.

In a statement for the B-H PRESS [news agency] Dr. Ejup Ganic, head of the Bosnia-Herzegovina delegation and vice president of the Bosnia-Herzegovina Federation, emphasized that the delegation had accomplished [words indistinct] set by the Bosnia-Herzegovina Assembly. We have secured the withdrawal of Karadzic's military formations from the 3-km zone around Gorazde and afterward an agreement on cessation of combat activities for the duration of one month. In this way the aggressor will be forced to negotiate a political solution to the clashes in Bosnia-Herzegovina, Dr. Ganic believes. Karadzic tried to accomplish a total cease-fire for the duration of at least four months in Geneva, which would, on the ground, freeze the existing situation and practically mean the recognition of the aggressor's conquests.

The agreement reached in Geneva is interpreted by the international media as a complete success for the Bosnia-Herzegovina diplomacy. Our delegation has left open the option of extending the cease-fire if the negotiating process about the political solution to the Bosnia-Herzegovina crisis shows [word indistinct] progress, but rejected meeting the aggressor's side in Geneva directly. The talks were carried out with the mediation of UN representatives.

Muslims Violate Cease-Fire in Sarajevo

LD0906090794 Belgrade TANJUG Domestic Service in Serbo-Croatian 0829 GMT 9 Jun 94

[Excerpts] Sarajevo, 9 Jun (TANJUG)—Muslim forces violated the cease-fire on the Sarajevo front last night by opening sniper fire on Serbian defense lines, wounding one civilian and one Serbian soldier, the information center of the Sarajevo-Romanija corps announced this morning. [passage omitted]

Last night Serbian reconaissance units sighted a column of vehicles moving along the Mt. Igman-Hrasnica road. It is said that the vehicles were transporting military equipment for the Muslim army, with the tacit approval of the UN Protection Force.

Fighting on Brcko Front Continues Unabated

AU0906090794 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 0800 GMT 9 Jun 94

[Report by Hamiz Deronjic and Nihad Salihovic]

[Text] Last night, the chetniks on the Brcko front received news of the cease-fire agreement that is supposed to go into effect on the Bosnia-Herzegovina fronts at 1200 tomorrow, by launching fierce attacks on the defense lines of the free Brcko territory. At 2130, a strong artillery-reconnaissance-subversive-terrorist group [as heard] tried to breach the Brcko defense lines in the Vranovaca region. The defenders responded fiercely and the fighting flared up. The aggressor ended up with the short end of the stick.

After being defeated and suffering losses, the chetniks attacked the entire region of Vranovaca from the direction of Cadjavac with 82-mm mortars. The final outcome of the fighting in Vranovaca is that the (?situation) remained unchanged. Between 2000 and 2200, the aggressor attacked the neighboring village of Bodariste with 60 and 82-mm mortars from the direction of (?Delimir Ravno). During the two-hour artillery attack, the enemy fired several dozen shells, but apart from destroying more civilian residences, no military successes were scored.

Overnight, the chetniks intermittently shelled the Zukici area with 82-mm mortars from the direction of Sekulici and anti-aircraft guns in Lipovac. The aggressor did not accomplish his aims on this part of the front either. The defense lines of the free Brcko territory are safe and under the full control of the fighters of the 108th Motorized Brigade, the 108th Infantry Brigade, and units from other contingents. During the agreed cease-fire, there are many reasons to remain alert.

Serbs in Croatia Stopping Convoys for Bihac

AU0806193594 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 8 Jun 94

[Text] The rebel Serbs in Croatia continue to not allow the passage of humanitarian aid convoys into the Bihac region, as was reported in the headquarters of the UN High Commisioner for Refugees [UNHCR] today [words indistinct]. The stocks of food in this town are sufficient for 10 days and [words indistinct] the situation could become serious, UNHCR envoy Peter Kestler said. The food convoys are entering the Bihac region, [word indistinct] under the protection of [word indistinct] United Nations in Croatia [words indistinct]. Kessler explained that [words indistinct].

Army Alleges UN 'Deceptions' of Public

AU0706120094 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1000 GMT 7 Jun 94

[Text] The reputation of the UN forces engaged in Bosnia-Herzegovina, which has plummeted to its lowest level due to their incompetence, [word indistinct], and powerlessness to stop the aggressor, will be increasingly more difficult to mend, among other things, also because of the presenting of numerous unsubstantiated justifications for the United Nations' passivity on the ground in their addresses to the public, a statement by the Information Service of the 1st Corps of the Bosnia-Herzegovina Army says.

The 1st Corps points at, conditionally speaking, two deceptions of the international public committed by UN spokesman Major Rob Annink at a press conference. He tried to justify the aggressor's attacks on the defense lines of the Bosnia-Herzegovina Army in the region of Breza, Vares, and Ilijas by the fact that neither the Bosnian nor the Serbian side would allow them access to the critical areas and thus their observers could only register explosions but could determine the place from which projectiles had been fired. At the news conference, Major Annink did not present the true reasons for the lack of engagement by the UN forces. The true reason is that the Chetniks do not allow the UN members to move along the Temizovac-(?Trebnje) route, precisely because of the constant offensives that they have been undertaking in this region. The members of the Canadian Battalion justify their not going into the field with the fact that the zone that they are supposed to supervise is the responsibility of the French Battalion, which has its headquarters in Sarajevo.

Because of such misinformation of the international public and the open siding with the aggressor, the soldiers and the officers of the Bosnia-Herzegovina Army from the territories of Breza, Ilijas, and Vares favor Major Annink being proclaimed persona non grata and being denied hospitality in Bosnia-Herzegovina, the statement by the Information Service of the 1st Corps of the Bosnia-Herzegovina Army says.

Krajina's Martic on Success of Geneva Talks

LD0806180594 Belgrade TANJUG Domestic Service in Serbo-Croatian 1621 GMT 8 Jun 94

[Text] Belgrade, 8 Jun (TANJUG)—Milan Martic, president of the republic of Serb Krajina, said today that the objective of his visit to Geneva was to find a solution for the continuation of negotiations with Croatia.

"Prior to my departure, we in the inner leadership of the republic of Serb Krajina had agreed to display flexibility and agree to discuss economic relations on the territory of Serb Krajina with the Croatian delegation," Martic said in a statement carried by Radio Belgrade.

"Repeated Croatian media claims that the republic of Serb Krajina is an integral part of Croatia should not irritate us, because it is clear here in Geneva and to the whole world that this is not the case. We were received at the highest level here, and I could safely say that this was a diplomatic victory for us, victory in the sense that cochairmen Owen and Stoltenberg provided certain guarantees that they would be absolutely in favor of unprecedented sanctions being introduced against Croatia in the case of fresh aggression by Croatia against the republic of Serb Krajina. We were told the same by Akashi," Martic said.

According to him, the talks to be held in Plitvice on 16 and 17 June will not prejudice political solutions. This, Martic believes, "will be an opportunity for the whole world and the reporters gathered in Plitvica to find out to whom Plitvice really belongs."

Likewise, he said that he had also received assurances from the cochairmen, as well as Mr. Akashi, that they would do everything to ensure that Croatia honored the first stage of the agreement on the cessation of hostilities concerning those articles it had not honored in the past. "Therefore, this is a great step forward, and I personally believe that Akashi will stand by his word and that this will be carried out immediately," Martic said. Martic also said that the Serb Krajina delegation had been received in Geneva "at the highest level" and that "an important diplomatic move" had been made, which "opened the front door in international relations where the republic of Serb Krajina is concerned."

Negotiator: Serbs Willing to Discuss Peace

LD0806204494 Zagreb HTV Television in Serbo-Croatian 1730 GMT 8 Jun 94

[Excerpt] Here is a brief interview granted by Hrvoje Sarinic, head of the Croatian negotiating team, to Croatian Television correspondent Silvana Mendjusic:

[Begin Mendjusic recording] The latest from Geneva: Serbian Krajina President Milan Martic has agreed to negotiations with Croatia; the conditions are for the meeting to take place in Plitvice on 16 and 17 June. Does the Croatian side accept these conditions?

[Sarinic] First, I would not completely agree that these are conditions in the strictest sense of the word. As you know, the Croatian side has always insisted that meetings on the normalization of relations between the Republic of Croatia and the Serbs from the UNPA [UN Protected Areas] take place on the territory of the Republic of Croatia. This was our condition and this is probably the reason why no meetings have so far been organized—because of their refusal to accept this until now. They have obviously accepted now, and I salute this with pleasure.

The signing of the agreement on the cessation of hostilities was only the first in a series of talks leading to the normalization of overall relations between the Republic of Croatia and the Serbs from the UNPA. Therefore, we accept this with pleasure because we believe that our conditions have been fulfilled.

[Mendjusic] Could you comment on the reason for Martic's sudden consent. Does this mean that the pressure brought to bear by the international community has become too much of a strain?

[Sarinic] I believe that it would be a mistake to view their standpoints on their own. You know that the problem of the Serbs from the UNPA is linked to the problem in Bosnia-Herzegovina, and that the key to all these problems should be sought in Belgrade. It is evident that the Serbs have come to the conclusion that further procrastination under pressure from the international community is not in their interest. [passage omitted] [end recording]

Economic Issues To Be Discussed in Plitvice

LD0806154994 Belgrade TANJUG in English 1507 GMT 8 Jun 94

["Pool" item]

[Text] Knin, June 8 (TANJUG)—President of the republic of Serb Krajina (RSK) Milan Martic has agreed that the first round of talks on economic issues with the Croatian side be held on June 16-17 in Plitvice in RSK territory, the office of the RSK president said in a statement on Wednesday. Martic made the decision after receiving additional international guarantees that all issues relating to the Croatia-Krajina conflict would in future be resolved through talks on an equal footing and that the international community would not tolerate Croatia's policy of force, the RSK news agency ISKRA reports.

Moreover, says ISKRA, Martic also received firm guarantees that a political settlement would not be prejudged in any stage of the talks and that it should be sought within the Geneva-based international conference on the former Yugoslavia. Martic's office also said that the RSK president had decided to agree to the talks after consultations with co-chairmen of the international conference Lord Owen and Thorvald Stoltenberg and U.N. special envoy Yasushi Akashi.

The RSK was founded in late 1991 in the Serb ancestral lands in Croatia in response to Croatia's violent secession from the former Yugoslav federation and attempts to downgrade the Serbs to a national minority. In March 1992, the RSK was placed under U.N. protection.

Martic's talks with the international mediators in Geneva also tackled the implementation of the RSK-Croatia truce signed in the Russian Embassy in Zagreb last spring. The RSK president said that Croatia had not fully honoured the agreement and warned that this could seriuosly impede the peace process.

Akashi personally guaranteed that he would insist with the Croatian side to immediately meet the obligations it undertook under the truce agreement.

Tudjman, Valentic Confer With Vacaroiu

LD0806205294 Zagreb HTV Television in Serbo-Croatian 1730 GMT 8 Jun 94

[Text] A three-day visit by a Romanian delegation to our country has resulted in the signing of three important interstate treaties. This has confirmed our good interstate relations, but has also opened up the possibility to extend overall economic cooperation between the two countries. The Romanian prime minister and members of the Romanian state delegation also met Croatian President Franjo Tudjman.

President Tudjman and Romanian Prime Minister Vacaroiu had talks about political relations between the two countries, the situation in Bosnia-Herzegovina, and Croatia's occupied areas. They dwelled in particular on efforts made by the two countries and the international community with regard to achieving a negotiated end to the conflicts as soon as possible, and fully reintegrating Croatia'a occupied areas into the state and legal system of the Republic of Croatia.

In addition, Prime Minister Vacaroiu briefed President Tudjman on the talks being conducted between the Romanian delegation and Croatian officials and businessmen, and also on contracts about to be signed.

The possibilities and stimuli to the extension of comprehensive cooperation, particularly economic, were the main topics of the concluding round of talks between representatives of the Croatian and Romanian Governments. On the occasion, proposals were supported for setting up joint commissions and contact groups, which will be tasked with considering the establishment of larger-scale forms of economic cooperation. This refers to the founding of mixed enterprises and joint participation in third markets, and also to the conclusion of treaties on free trade between the two countries.

Transport, ferrous metallurgy, shipbuilding, the power industry, and almost all branches of light industry were highlighted as areas of particular interest. The Romanian partners are particularly interested in our experience in the operations of the free zone in the port of Rijeka.

The first step in widening cooperation was made by signing three important interstate treaties: on maritime transport, on stimulating and protecting joint investments, and on cooperation in health and medical science. Both prime ministers, following the official talks, stressed the friendly relations between the two countries and the importance of the signed treaties toward the development of comprehensive cooperation in the areas of science, education, culture, and sport. Prime Minister Valentic stressed that these negotiations have opened the way to full economic cooperation, adding:

[Begin Valentic recording] Romania is a large country in central and eastern Europe, and an important factor for peace and stability in Europe. Therefore, we believe that good and friendly relations between Croatia and Romania will make a considerable contribution toward peace in the entire region. We have accepted with great pleasure an invitation by the president to visit Romania, and we have set a date in September, when the Croatian Government is to send its delegation, including a large number of businessmen, to visit Bucharest. [end recording]

The Romanian prime minister stressed that his talks with President Tudjman, Prime Minister Valentic, and Croatian businessmen were very sincere, and that a mutually expressed wish for even better cooperation in all areas would soon be realized. Vacaroiu added that the Romanian Government wishes to intensify its presence in resolving the crisis on the territory of former Yugoslavia through political means, and that it urges the observance of borders of the newly created states in this area. Romania, according to him, wishes to join the reconstruction of war-ravaged areas of Croatia and Bosnia-Herzegovina.

Both prime ministers announced that interstate treaties on the avoidance of double taxation and on cooperation between chambers of economy are being drawn up. These documents are likely to be signed during the aforementioned visit by the Croatian delegation to Romania.

Canadian UN Soldier Dies in 'Apparent' Suicide

AU0806141994 Paris AFP in English 1332 GMT 8 Jun 94

[Text] Zagreb, June 8 (AFP)—A Canadian soldier with the UN forces has died in an apparent suicide, the UN Protection Force [UNPROFOR] said Wednesday. Private Kirk David Cooper, 25, from North Bay, Ontario, was at an observation post near the village of Kasic in southern Croatia on Monday "when it appears he decided to take his own life," the UN statement said. It said "an investigation is ongoing," adding that "it is not known what may have caused Private Cooper to take his own life." Cooper, who is the ninth Canadian peacekeeper to die in the former Yugoslavia since Canada began its peacekeeping mission two years ago, was on his second tour with the UN Force. He was an infantryman of the Third Battalion, Princess Patricia's Canadian Light Infantry, serving with the Canadian Battalion in Croatia.

Mesic Voices Disagreement With Tudjman

94BA0292E Belgrade BORBA in Serbo-Croatian 14-15 May 94 p 10

[Interview with Parliament Chairman Stipe Mesic by Jovo Paripovic; place and date not given: "The HDZ Has a Hard Time Coping With Democracy"]

[Text] "There need not be a parliamentary and state crisis in Croatia, but there could be if unreasonable moves are made. Some of the reasons why we undertook to form the new party of Independent Croatian Democrats [HND] were the war in Bosnia-Herzegovina, the functioning of the law-governed state, the activity of the parliament, and the autonomy of the judiciary. We did not like the structure of the HDZ [Croatian Democratic Union], which has been turned into a bureaucratic organization that does not beat with a democratic pulse. Our move can only promote democracy, provided there is reason and the country is not pushed into crisis. This can only help Croatia to become more recognizable as a democratic society," Stipe Mesic explained the most recent political ferment for all NEDELJNA BORBA.

[Paripovic] How do you perceive the behavior of the HDZ and the president himself, Dr. Tudjman, following your move and that of Josip Manolic, president of the Chamber of Zupanijas?

[Mesic] The HDZ has had trouble coping with that basic postulate of democracy that people think differently about different problems. And when we were unable to fight for our positions within the party, we went public. That is why proceedings were immediately instituted to dismiss Mr. Manolic. I do not know how many deputies signed the motion for my dismissal. That is already pass now. That is deja vu: An order is issued from the president's office, and everything is set in motion. That is not a feature of democratic societies. Relations in parliament are different because of the new party's establishment, and we have proposed that we sit down and reach an agreement on the leadership of the parliament. This cannot be done through pressure.

[Paripovic] Did you expect reactions of that kind, which, as you say, are those familiar from the time that is now behind us?

[Mesic] I can say that I did expect it. As more and more time has passed, the party has hewed more and more to the model of the one-party system and has begun to beat with that pulse. This is not satisfactory to us. On the contrary, we have begun to shut ourselves off not with a Berlin Wall, but a Balkan wall. The president's office has been turned into a power center. It is possible from there to manipulate all the moves in parliament, even to decide on the choice of judges. Or indeed the name to be given to some club. That is not the president's affair.

[Paripovic] What are the sources of that kind of behavior? Does it come from President Tudjman or from the people who surround him?

[Mesic] Certainly there are several reasons. One is certainly the people around the president. They only became acquainted with him as the chief of state, while I, instead of their deference, have always presented my opinion to Tudjman without calculating whether he will take to it or not. The people around him have been telling him what they thought he wanted to hear. That is why he has been drawing the wrong conclusions, since the information he based them on was wrong. To some extent the fault is surely also his.

[Paripovic] How do yo assess the position of Franjo Tudjman? Since the move by you and Josip Manolic has he been uncertain what course to take, or "standing firm on his feet"?

[Mesic] I think he is not taking the right steps as soon as he moves against parliament. A war between the executive and legislative branches does not benefit democracy. In addition to preserving the position of the parliament, we also want to preserve the Office of the President, but only within the limits allowed him by the Constitution.

[Paripovic] Is it your assessment that you can remain at the head of the Croatian parliament? President Tudjman was explicit at his regular news conference that that post is reserved for a representative of the HDZ?

[Mesic] That will depend on the balance of power or an agreement among all factors in the parliament. If we agree to let that post go to the HDZ, we will let it go, but this cannot be settled over the telephone, not by gathering signatures, by raising an uproar. That is the Bolshevik syndrome.

[Paripovic] How do you see the destiny of the government?

[Mesic] The government has our support for the present. It has solved the problem of inflation.

[Paripovic] What if the opposition should gain the upper hand in the parliament?

[Mesic] Everything depends on how the government behaves.

[Paripovic] What are the things you have against President Tudjman and the HDZ in connection with the war in Bosnia-Herzegovina?

[Mesic] There are several culprits to blame for that war, and Milosevic is the biggest. He calculated that with war he could achieve those objectives of creating an expanded Serbia which were not achieved earlier. Those who wanted an expanded Croatia played into his hands. Through the Serbs in Croatia, which Bora Jovic told me were our problem and we should "do what we like with them," the fuse of war in Croatia was ignited although there were assurances that Serbia was interested in only

66 percent of Bosnia and Herzegovina. The only way to achieve that was to escalate the war in Bosnia and in Herzegovina. And then we had problems in the division of Bosnia and Herzegovina, since if a Serbian republic was being created, so let's also create a Croatia in Bosnia and Herzegovina. Herzeg-Bosna was created with flags, its army, its government... as a response to the Serbian side. We opposed such moves, since it means disintegration of an internationally recognized entity.

[Paripovic] You are probably aware of more detailed information, but you do not wish to speak of it. Can we, then, deal in suppositions? Did Dr. Tudjman consent to the offer of 66 percent of the territory of Bosnia and Herzegovina to the Serbs?

[Mesic] I think not.

[Paripovic] Did that agreement include resettlement of Serbs and Croats? I would recall for you just two almost identical such movements of population of both Serbs and Croats in which both suffered. I am speaking of the Croats who left Ilok and environs and the Serbs who left western Slavonia?

[Mesic] As soon as the talk turned on humane resettlement of population, I saw a great danger there. When we see what has happened, then it is clear that Milosevic had Cyprus in mind as a model. He went against everything that was non-Serb with brutal force in order to clear out a space to make expanded Serbia. He counted on there being pressure on the Serbs from the other side. He did not take a risk in that respect, but he longed for that. Whether there was an agreement about that I do not know. That is another of the questions history will answer for us, but the fact is that the aim was to create ethnic borders.

[Paripovic] You have raised quite a few of those issues—the issue of the money which the diaspora has been paying and which has disappeared, the question of apartments.... Do you think that Seks and others who obtained apartments for a song will simply pay for that or return them? You have raised the issue of the Mafia and its connection to the authorities, profiteering, murders.... You said that "they" are true Sisters of Mercy compared to "these." Do you think you can work that out?

[Mesic] Yes. The money from the diaspora went into certain accounts. Balance sheets have to be drawn up, so that we can see how much was spent for what. Distribution of apartments has been discontinued, and this must be worked out as part of the operation of the law-governed state, just like everything else that has been raised as an issue. Unlawful acts must be detected by those who are paid to do that. The Mafia began in Sicily as a political movement against the French. But the French departed long ago, and the Mafia has remained. I hope that this one in Croatia will be much shorter-lived.

[Paripovic] Will your moves have an effect on Dr. Tudjman and his autocratic way of governing the country, and will you remove some of the manifestations of power which even a monarch would not be ashamed of: the presidential aircraft, the yacht and, they say, the immense wealth of the entire Tudjman family?

[Mesic] I assume that Dr. Tudjman is a realistic politician. Realistic because he came to power precisely by respecting certain realities. That is why I think he will take the new realities into account. He must realize that our moves do not represent a destabilization of Croatia. Accordingly, if he draws the lessons from all this, it will be better both for him, and also for democracy and for Croatia.

[Paripovic] Is Defense Minister Gojko Susak one of the stumbling blocks between Manolic and you on the one hand, and not just the two of you, and President Tudjman on the other?

[Mesic] Yes. I think he is incompetent.

[Paripovic] But Tudjman continues to keep him close to his side, and he refers to those demanding his dismissal as "petty politicians." These days there are people in Croatia who interpret Tudjman's keeping Susak close by his side even as a possibility of dictatorship?

[Mesic] I do not believe in solutions outside the institutional framework. The European environment would hardly put up with that. Someone would have to stand behind such a move, just as someone has always stood behind every military dictatorship introduced up to now. Everything is clear concerning Susak. His resignation is being demanded. It does not interest us that he perhaps may have offered his resignation to Tudjman when they were playing tennis or over coffee. We want the resignation debated publicly, which does not mean that he must offer his resignation publicly after the debate.

[Paripovic] Why has Minister Susak become so dear to Tudjman's heart?

[Mesic] That I do not know.

[Paripovic] There is talk of a Herzegovinian lobby?

[Mesic] I think that there is a bit of exaggeration here about that Herzegovinian lobby. In every war people emerge who through their connections make it possible for others and themselves to get rich. The talk about the Herzegovinians began following several real cases of that kind, but there are "very good profiteers" among the Slavonians, those from Lika, the Dalmatians, and the Istrians.

[Paripovic] According to an assessment which need not be accurate, your parting of the ways with the HDZ should have occurred at the last party convention, where differentiation of what are provisionally referred to as "right" and "left" wings became evident?

[Mesic] So far the HDZ has responded to two historic challenges—the first was leaving the communist system and the second formation of the Croatian state. It now faces a new challenge—what kind of state that should be. Here the HDZ is not responding effectively enough. That division into "left" and "right" is artificial, and when anyone wanted to discredit us, then they simply referred to us as "on the left." It is not about that, but about who favors the law-governed and democratic state and who does not. Here the HDZ should draw the new lessons, not resort to Bolshevik models of the harangue, or bus in those who call us "heretics" and call for them to deal with us. That is not good for the HDZ, since it is now "tackling the external and internal enemy." That does not disturb us, and I am sorry that we recognize certain strivings in the HDZ which aspire to totalitarianism. Some people have grabbed up all the goods of this world, and they are not waiting to have those goods in the other world. They would like to set certain things in cement. The firm hand suits them at present, since any democratic thrust could take quite a bit of that back from them.

[Paripovic] Your mention of cement has given me my cue: Are you ready to take some of the responsibility in all this upon yourself for certain moves? Surely you are not taking it for granted that many will treat you with kid gloves in the session of the parliament?

[Mesic] They have never treated me with kid gloves. Even since 1963. I was in prison in Stara Gradiska, because I did not agree with the totalitarian system. Those totalitarians are now emerging once again. Those who persecuted me then are now orthodox members of the HDZ. But I will not mention names, since we have an agreement to that effect. There will not be any kid gloves, but I am not afraid of that, since the arguments are on our side. We have on our side public opinion in spite of Vrdoljak's television. And when you talk about cement, than I know that you are referring to the story that I wanted to buy my daughter a cement plant. She wanted to mortgage her house to go into that business, but that was abandoned. I have only what I have earned, and I have not gained anything from this regime.

[Paripovic] You say that public opinion is also with you. Can you conclude from that that the people are fed up with this regime?

[Mesic] The people are never completely satisfied with their state. And that is a good thing. But the people are bothered by those who are abusing the state. There is no danger of the state being destabilized. On the contrary—the mafiosi will be destabilized and exposed.

[Box, p 10]

I Will Not Cut a Deal With Tudjman

[Paripovic] Have you had contacts with President Tudjman, and can it be said that a deal is being cut?

[Mesic] I have had talks with two representatives who came on the president's behalf. A third was supposed to come, but he went away on a business trip. What they are offering is bilateral talks. We are offering the opposition on the one side and the HDZ on the other, since now we belong to the opposition. I think that bilateral bargaining does not come under consideration now—that is the message I sent back to the president. Positions should not be held onto jealously. I was not born in the position of president of the parliament, nor need I remain there. In the HDZ, and this is what their propaganda says, they are thinking that this is a power struggle. If that were the case, I would just go sit down alongside Tudjman, since under the Constitution I am his deputy, and for me personally everything could come up roses. But I am not dealing with my personal problems now. I want Croatia to be a democratic country.

[Box, p 10]

"Agreement" Concerning the War

[Paripovic] What were Franjo Tudjman's motives in negotiating with Milosevic at Karadjordjevo if he did not also have a desire for some expanded state?

[Mesic] Through Bora Jovic I proposed that we sit down together, he and Milosevic, Dr. Tudjman and I, and attempt to avoid war. An hour later Bora told me that he had passed on everything to Milosevic and the latter had agreed to the proposal. I passed that on to Tudjman, but I soon learned that only Tudjman and Milosevic would meet. I do not know what they agreed on, but we have seen how processes developed and how the war escalated.

Greece Allegedly Proposes New Country Name

AU0906112094 Skopje MILS-NEWS in English 9 Jun 94

[Unattributed report: "Central Balkan Republic of Macedonia"]

[Text] Despite statements by [U.S. Special Envoy] Nimetz on bringing no proposal on the name, A1 Television cites unofficial circles on speculations with an alleged proposal by the Greek Foreign Minister Papoulias that Macedonia [The Former Yugoslav Republic of Macedonia—FYROM] be referred to as The Central Balkan State of Macedonia. Sources suggest Papoulias has sent this proposal to the Macedonian authorities through the envoy Nimetz, and go on claiming that PASOK [Panhellenic Socialist Movement] is all ready to accept the name of Macedonia, and the Greek Government is more inclined to the latest proposal than to the prefix "North" or "New" Macedonia.

No Progress Reported in Talks With Greece

AU0806125594 Skopje MILS-NEWS in English 8 Jun 94

[Unattributed report: "Small Chances To Reach Agreement"]

[Text] The Macedonian [The Former Yugoslav Republic of Macedonia—FYROM] Foreign Ministry reports that Foreign Minister Crvenkovski met with the U.S. special envoy in the Greek-Macedonia dispute, Matthew Nimetz, in Ohrid yesterday. Today, Nimetz is to be received by President Gligorov. This was the official announcement on the Crvenkovski-Nemitz meeting, with no details on the contents of the talks, which gave space to various media speculations. One such supposition even claims that Greek diplomats also arrived in Ohrid, along with Nimetz, and took part in the talks. The Greek prime minister bitterly refuted this. The A1 Television finds out from sources close to Papandreou's cabinet that Nimetz will probably not go back to Athens, as the Greek government wishes not to heat up the atmosphere four days before the elections for the European Parliament. Unofficial sources also point out that even if Nimetz does go back to Athens, there will be no one to receive him. Papandreou did not receive Nimetz even last Monday, and Papoulias left for Iran yesterday, and will afterward attend a NATO ministers' conference in Istanbul.

Officially, the Greek government spokesman Evangelos Venzelos categorically denied all scenarios on new proposals by Nimetz, pointing out that such speculations are harmful, rather than useful for his country. He also underlined that the Macedonian question would not be brought up at the coming EU prime ministers' summit in Corfu.

Meanwhile, the media in Athens report on the talks in Athens, making no comments, and with a general conclusion that the progress at the talks now depends entirely on Skopje. Thus, TA NEA claims that Nimetz's aim was to put pressure on the Macedonian leadership, while the Greek Foreign Ministry is somewhat optimistic as to a way out of the dead end.

President Gligorov is of the opinion that there will be no essential progress in the negotiations, despite latest continuation in indirect talks under Nimetz's mediation, THE DAILY TELEGRAPH wrote yesterday. MAKFAX reports that the British paper concludes that the Greek embargo has considerably damaged the Macedonian economy, already at losses as a result of the sanctions against the Federal Yugoslavia. THE DAILY TELEGRAPH points out the economic crisis is an additional source of instability and could lead to a war, which would include Serbia, Greece, Bulgaria, and Albania, with Turkey as a patron of Tirana and the Turkish minority.

U.S. Envoy Holds Lengthy Talks With Gligorov

LD0806171394 Belgrade TANJUG Domestic Service in Serbo-Croatian 1632 GMT 8 Jun 94

[Excerpt] Skopje, 8 Jun (TANJUG)—In Skopje today, Macedonian [The Former Yugoslav Republic of Macedonia—FYROM] President Kiro Gligorov today received Matthew Nimetz, the special U.S. envoy in the Greek-Macedonian dispute. Their talks lasted for more than two hours. Nimetz arrived on a two-day working visit to the FYROM yesterday ahead of the resumption of negotiations between Skopje and Athens in New York on 13 June.

In a press statement following his talks with Gligorov, which were also attended by Macedonian Foreign Relations Minister Stevo Crvenkovski, Nimetz said that he spoke about the topics of great importance for regional developments. According to Nimetz, it is inappropriate to give any forecasts as regards the outcome of future negotiations. [passage omitted]

'Increasingly High Price' of Sanctions Reported

LD0906110894 Belgrade TANJUG in English 1041 GMT 9 Jun 94

[By Mladen Stancic]

[Text] Skopje, June 9 (TANJUG)—Businessmen in The Former Yugoslav Republic of Macedonia (FYROM) are paying an increasingly high price because of the "southern traffic pocket", created by the imposition of the U.N. sanctions on Yugoslavia and Greece's trade blockade of the FYROM. The transport of goods, raw materials and semi-manufactures via the roundabout east-west corridor has resulted in a drastic rise of business costs and, according to FYROM businessmen, will require an additional 40 million U.S. dollars by the end of the year. As a result, an increasing number of companies are facing bankruptcy, while others have been forced to halt production. The ban on transit through Yugoslavia (Serbia/Montenegro) was introduced in April 1993, when the U.N. sanctions imposed in late May 1992, were tightened.

The Greek authorities closed their border and imposed a trade embargo on the FYROM last January after some E.U. countries recognized it as an independent state. Athens strongly opposes the FYROM being recognized under the name of Macedonia, explaining that this name is closely linked with the Greek history and that it indicates FYROM's territorial claims. The anti-Yugoslav blockade has so far cost the FYROM three billion U.S. dollars.

Two million U.S. dollars have been earmarked for the "south wing" of the so-called customs corridor, i.e. for the widening of two bottlenecks at the border crossings Deve Bair (to Bulgaria) and Chafa San (to Albania). That, however, has only dimmed the essence of the problem.

Shipping agents in the FYROM are aware that the corridor through Bulgaria and in particular the one through Albania cannot be compared to the routes towards Europe via Serbia.

Although the distance between the border crossing Chafa San and the Albanian port of Durres is only 148 km, trailer trucks need over nine hours to cover that section because it is in a very bad condition. Moreover, they are in constant fear from road bandits or police "controls." The port of Durres, which gained in popularity after the Thessaloniki port was shut down to goods from the FYROM last February, is unable to meet all requirements.

While transport charges in the world amount for 5-12 per cent in produce costs, the transport of FYROM goods to Europe via Albania and Bulgaria hikes up these costs to as much as 50 per cent.

Democratic Party Cited on Lack of Democracy

AU0806133794 Skopje MILS-NEWS in English 8 Jun 94

[Unattributed report: "Police Effort To Destroy Opposition"]

[Text] "The state police is against democracy in Macedonia [The Former Yugoslav Republic of Macedonia—FYROM] and is using all means possible to stay in power, which is a severe blow to basic human rights as this involves methods of manipulation with the public and police intervention in the spheres of inalienable civil rights." Peter Gosev, leader of the Democratic Party said at yesterday's press conference.

As arguments for this, Gosev stated frequent and long-lasting blocking of the work of parliament, not by the opposition, but by the ruling party, which refuses to attend sessions or limits debates on "inconvenient" subjects. He also spoke of increased influence of political parties over the institutions of democracy, through unscrupulous party interfering into judicial matters, covering up for criminal charges against high state officials, and not starting bankruptcy proceedings in certain firms.

"The highest police officials are leading a politics of destroying the opposition." Gosev said. In order to do this, according to Gosev, they are increasingly using satellite parties and individuals known to have been informants for former intelligence services. He also said the interior minister was turning into a Stalin-type policeman.

Gligorov, Party Discuss Bugging Allegations

AU0906084594 Skopje MIC in English 8 Jun 94

[Text] The President of Macedonia [The Former Yugoslav Republic of Macedonia—FYROM] Kiro Gligorov yesterday received the leadership of VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity]; the President Ljupco Georgievski, the Secretary General Boris Zmejkovski, and the Vice-President Dosta Dimovska, at their own request. They explained that they wanted to inform him about the attitude of the State Security Service toward the opposition, and to hand him document proof of that. Namely, according to their assertions, they have evidence of wiretapping and an operative action of the Service for State Security involving several VMRO-DPMNE deputies.

According to the announcement from President Gligorov's cabinet, at the beginning he emphasized that in accordance with his constitutional and legal competence and authorization, he had no jurisdiction to directly investigate the accusations of involvement of the State Security in the internal-party relations. In compliance with the clear constitutional and legal authorizations, Gligorov expressed full conviction that questions of this type should be raised and settled within the framework of the determined legal procedure.

In that sense, President Gligorov underlined that the only competent place, according to the Constitution, which should deal with any kind of realizations or suspicion regarding the attitude of the State Security Service toward VMRO-DPMNE is the Commissions of the Macedonian Parliament for control of the work of the Security Service. Also, a procedure should be initiated before the competent organs—the public prosecutor sand the appropriate Court, in relation to any kind of document concerning that. That is the only way to avoid any kind of speculations or mystifications regarding such serious accusations. Also, that is the only way to maintain the principles of democracy, the respect of the laws and the functioning of the government authority in the Republic.

President Gligorov added that the building of a democratic atmosphere and the respect of the laws, as a lasting political orientation, had a special important in the present pre-election period in the Republic. That will contribute to the strengthening of the feeling that the basic national interest are respected, both in the country and abroad, and that the integrity of our country will be protected, both from internal conflicts and outside aspirations. The VMRO-DPMNE leadership agreed with the President on these points.

Andrej Ster Appointed New Interior Minister

AU0806201494 Ljubljana Radio Slovenia Network in Slovene 1700 GMT 8 Jun 94

[Excerpt] About an hour ago, State Chamber Chairman Herman Rigelnik announced the results of a secret vote on the candidate for interior minister, Andrej Ster. Out of 76 deputies, 58 voted in favor of him while 15 were opposed. Before the vote, hitherto Interior Minister Ivo Bizjak had addressed the deputies. Here is a report by Robert Rakar:

[Begin recording] [Rakar] Immediately upon his election, the new interior minister, Andrej Ster, in an interview for our radio station said that he was very satisfied with the outcome of the vote and especially with the number of votes in support. Regarding his future work in the ministry he said:

[Ster] The tasks are not in short supply. In addition to the present ones new tasks will arise daily. The fact is that a conflict replacement or replacement that would drag on over a longer period of time in uncertainty could very much delay if not interrupt some pretty important projects that are currently underway in the ministry. I see my role primarily here. I have absolutely no illusions about the capabilities that I have. I intend to work to the best of my ability and knowledge, together with a ministry team that I believe is rather good. [passage omitted] [end recording]

SKD Leader Resigns To Help Unite Party

AU0806154594 Ljubljana Radio Slovenia Network in Slovene 1330 GMT 7 Jun 94

[Text] At the morning session of the party's political coordinating group, Secretary General of the Slovene Christian Democrats [SKD] Edvard Stanic offered his resignation. As we have learned, the reason for this move was primarily of a party nature as it is supposed to accelerate the overcoming of internal disputes and consolidate the party's position.

At the recent party conference in Zagorje Stanic favored a policy of dialogue, patience, and discussion with the political adversaries and at the same time warned of the party's actual strength in political life. This illustrates the differences between two factions, of which one favors the SKD leaving the government coalition and the other warning that the party is only as strong in the coalition and the government as is its number of deputies. The latter faction also emphasizes that it is not possible to put forward demands in the government because the prime minister's post is in the hands of the coalition partner.

In a statement for Radio Slovenia SKD, the secretary general said that the chances of him changing his mind are very slim. He decided to resign after the vote of the party's deputies, who, in the parliament last week, did not support the proposal of the coalition government to replace Labor Minister Jozica Puhar. Such and similar actions are supposed to undermine the party's credibility in the negotiations about the formation of a two-party government. Because of this, party president Lojze Peterle is supposedly also reconsidering his position.

The strengthening of the party also lies behind the proposal to move the date of the planned party congress forward from December to September 1994. As we have learned, the SKD leadership will discuss the current situation next week.

Federal

Defense Minister: 'No Bargaining' Over Territory

LD0806154794 Belgrade TANJUG in English 1500 GMT 8 Jun 94

["Pool" item]

[Text] Belgrade, June 8 (TANJUG)—Yugoslav Defence Minister Pavle Bulatovic said there can be no bargaining with no one, either at home or abroad, over territorial integrity of Serbia and Montenegro, i.e. the Federal Republic of Yugoslavia.

'That country is the result of historical processes and bloody struggles for freedom against all conquerors and occupiers in the Balkans and no one has the right to ignore the blood shed in defence of this area', stressed Bulatovic in an interview to the weekly VOJSKA appearing on Thursday.

Answering the question in whose hands is the fate of peace in the Balkans, Bulatovic stressed that the big powers follow their own interests and create spheres of influence in the Balkans and beyond. 'It is clear who does not want peace, and the Serbs are certainly not among them,' neither those (Serbs) from the war-shattered former Yugoslav republic of Bosnia-Herzegovina nor the ones in Yugoslavia, Bulatovic specified. He said that in both world wars the aggressors' aim had been to exterminate the Serbian and Montenegrin peoples, but that they had not been successful in that, and now they are doing it in a much more perfidious way 'fighting against us by applying low-intensity strategy', without direct involvement in war.

'This people must resolutely defend their freedom, as they had managed to do throughout their history. It has no other choice', said the Yugoslav defence minister.

Army Commander Warns of 'Great Danger of War'

AU0806150194 Belgrade Radio Beograd Network in Serbo-Croatian 1300 GMT 8 Jun 94

[Text] In honor of the upcoming Yugoslav Army Day, 16 June, Colonel-General Momcilo Perisic, chief of the Yugoslav Army General Staff, met in the Yugoslav Army Club with representatives of the media, editors in chief, and journalists specializing in the military field. Mijusko Tomic reports.

[Begin recording] [Tomic] Despite the sanctions that have been imposed on the Federal Republic of Yugoslavia, the Yugoslav Army does not lag behind other countries and armies, while its combat readiness is significantly higher and stronger than that of any other neighboring country, said General Perisic. It is founded on the best traditions of the Serbian and Montenegrin people, and it is ready to defend the independence and territorial integrity of our country, said Chief of General Staff Colonel-General Momcilo Perisic, and stressed:

[Perisic] I am saying that there is no direct or immediate danger of war. A danger of war exists because the enemy—the creator of the new world order—has embarked on destroying the state of the Serbs and Montenegrins. Once he destroys their state, then we will behave in the manner of stateless people, and you know what stateless peoples are like. [sentence as heard] Better any kind of state than no state at all. Therefore, there is a great danger of war breaking out, great [danger], but I am saying that currently there is no immediate [danger], precisely because of the people's heroic resistance whom the Yugoslav People's Army [as heard] first trained, then armed, and lastly, organized and gave them the initial impulse to defend and succeed in defending what it has accomplished so far. I might also add the following: militarily speaking, more could not have been accomplished, of course, in areas where the people embraced this army as their own. [sentence as heard]

[Tomic] Members of the Yugoslav Army are satisfied with journalists' approach regarding the presentation of the comprehensive combat readiness and ability of the Yugoslav Army. It is necessary for a journalist to spread the truth about the army, rather than lies, which is what some journalists are doing, said Chief of General Staff Colonel-General Momcilo Perisic. [end recording]

Army Commander: No Soldiers Outside Borders

LD0806161794 Belgrade TANJUG Domestic Service in Serbo-Croatian 1501 GMT 8 Jun 94

[Text] Belgrade, 8 Jun (TANJUG)—Colonel General Momcilo Perisic, Yugoslav Army chief of general staff [CGS], held a working meeting today with representatives of the Yugoslav media in the central Yugoslav Army Club.

"I am not asking you to depict the situation in the Yugoslav Army as being better than it really is," General Perisic told the correspondents. He urged the building of better mutual trust through various forms of cooperation. General Perisic recalled that not a single member of the Yugoslav Army is outside Yugoslav borders, except for diplomatic and consular missions of the Federal Republic of Yugoslavia abroad. He added that the Yugoslav Army is not causing any incidents on the border between the Federal Republic of Yugoslavia and the Former Yugoslav Republic of Macedonia. These incidents, he explained, come as a consequence of an undefined internationally recognized border between the Federal Republic of Yugoslavia and the Former Yugoslav Republic of Macedonia.

The Yugoslav Army CGS also stressed that the process of depolitization of the Yugoslav Army has been completed, and spoke about the Army's high technical and technological level which has been maintained despite the sanctions.

'Scandal' in Federal Assembly Reviewed

94BA0293C Belgrade VREME in Serbo-Croatian 23 May 94 p 15

[Article by M.M.: "Something Is Floating in the Water"]

[Text] The series of incidents in the parliament here was enriched last week (on Wednesday, 18 May) by the scandal in the parliament involving the spilling of water, shoving, and curses referring to the opponent's communist mother. When Drasko Markovic, deputy of the Serbian Radical Party [SRS], said something concerning the reputation of Dr. Radovan Bozovic, president of the Citizens Chamber of the Assembly of Yugoslavia—more accurately, when in proposing an item on the agenda he mentioned Bozovic's involvement in the so-called ministerial scandal (stealing on a large scale involving two ministers of the Serbian Government, headed by Dr. Bozovic), which is still dragging on in the courts—the latter turned off the microphone at the speaker's stand.

In the next scene, the president of the Citizens Chamber gestured to the Radical deputy to leave the speaker's desk, and the latter took a glass of mineral water (it must have been "Karadjordje!") and spilled it on the president's desk, but not so violently that it would splash the president of the Chamber.

Bozovic then obtained from the Chamber permission to eject the deputy from the Chamber. (Up to now deputies have been ejected without a vote.)

The chastised deputy first headed for the exit, and then, at the suggestion of the party's leader, he sat on a bench. The Radicals surrounded their colleague and did not allow the Assembly security to eject Markovic from the Chamber. There began a test of strength based on credentials—the Radicals referred to immunity, and the security personnel referred to the official order of the president of the Chamber. One security officer shouted: "Mr. Deputy, allow me to discharge my duty!" Seselj answered: "You are not going to discharge your duty!"

In the fistfight that ensued, Radical Deputy Filip Stojanovic got a bloody ear. Seselj shouted in a strong voice: "You have drawn the man's blood, damn your communist mother. To hell with Sloba Milosevic!" He advised his deputy to display his bloody handkerchief, and then, raising the temperature, he said that "half a liter of blood has been shed"; throughout the entire Chamber, he called to Radmilo Bogdanovic, chairman of the Security Committee: "Radmilo, see what your police are doing!" The latter, after sending a long and significant look in Seselj's direction, left the Chamber!

When passions cooled, the Radicals left the session, and the next day (Thursday, 19 May) they did not attend the debate concerning the new rules of the Assembly, when everyone was talking about the "dignity of the Assembly."

Incidentally, on two occasions before this incident Bozovic has left the session when Dr. Vojislav Seselj mentioned his involvement in criminal scandals. Exactly a year ago, an incident occurred in which Bozovic took the opposite tack. When Radical Deputy Vakic dealt a knockout blow to Deputy Mihajlo Markovic, Bozovic reacted in a manner well-disposed to Vakic. The Socialists were tolerant for a long time, they approved Dr. Seselj or encouraged him to do outrageous things in the Serbian and federal assemblies. Recently, they have been getting a little annoyed.

Increased Yugoslav Army Recruitment Problems

94BA0296B Belgrade NIN in Serbo-Croatian 13 May 94 pp 19-20

[Article by Vladimir Jovanovic: "Lack of Veneration"]

[Text] The murder of two soldiers of Serbian nationality the week before last, committed by Saban Bajram, an Albanian, only heightened the tensions and intensified the dilemmas over whether young men of the ethnic minorities should or should not be called up to do their required military service in the Army of Yugoslavia [VJ]. These questions are not, of course, anything recent, but the general development of the situation indicates that advocates of an ethnically pure (Serbian-Montenegrin) army, in view of recent tragic events, are gaining more and more adherents. The problem, however, is by no means a simple one: The FRY [Federal Republic of Yugoslavia] Constitution establishes this as a civil state. And what is called "depoliticization and deideologization" of the Army is taking place, but what is happening is that one "belief" (brotherhood and unity) is being replaced by another (the ethnic belief).

It seems that the new Army also has problems in its inability to replenish its ranks solidly with military conscripts, which detracts essentially from combat capability. Speaking recently in VOJSKA about the "intolerably undermanned peacetime units," General Jevrem Cokic, commander of the 1st Army, says that the reasons are these: "The lack of veneration for the military calling, the poor functioning of the law-governed state, and the failure to take appropriate steps against those who have not discharged their civic duty, the departure of inductees abroad without the knowledge or approval of the competent regional military commands, evasion of the serving of the summons for induction, dishonest work by the PTT [postal, telegraph, and telephone service] as the entity responsible for delivering induction notices, uneven performance of the requests of regional military commands to apprehend draft dodgers by certain components of the MUP [Ministry of Internal Affairs], and draft-dodging by Skipetars and some Muslims and Hungarians.

Estimates of how many young men have evaded the draft by going abroad from Serbia and Montenegro go as high as 300,000 "deserters." For a time, there was talk in "patriotic circles" about prohibiting these people from returning to the country. The situation, however, is no better here either: In the same statement, Gen. Cokic complained of the insufficient reporting of conscripts for military exercises, which in the 1st Army (Sumadija and Vojvodina) averages 36 percent; the general referred to Belgrade as "the weakest" within the territory under his jurisdiction—at a disastrous 17 percent!

Belgrade

It seems that an attempt was made to resolve the issue of the draft by recruitment under contract, but there are many indications that this is going badly. In late 1993, they did a two-day analysis of annual operation in the command of the Podgorica Corps in which that corps' chief of staff, Colonel Momcilo Damjanovic, was to say: "There is an appreciable lack of interest on the part of some of the soldiers under contract, and 256 such soldiers have been discharged in the past year on those grounds."

According to what many have said, this "lack of interest" consists of more frequent fights and drinking bouts, i.e., a considerable loss of discipline when soldiers under contract arrive. This makes it more difficult to maintain the already shaky authority of the officers.

One of the problems, it seems, is the food. Mento Mentovic, M.A., chief of the Food Service Department of the VJ, said recently in VOJSKA: "If regular inflow of budget funds is not furnished to feed the fighting men, there will be a further drop in the quality of the food.... Today, the energy value and biological value of the soldier's meal is on the lower limit of tolerance, and any further drop would adversely affect the health of the soldiers.

Bosnia

But what perhaps disturbs the families of VJ recruits the most are the increasingly frequent stories about VJ forces crossing the Drina and taking part in the war in Bosnia. There is mention of death notices in the daily press, nighttime transports of bodies in metal caskets, overflowing hospitals in towns along the Bosnian border, and other details. There have been no official confirmations that such activities are taking place. It is thought, however, that the balance between the Serbian and Croatian "regular" participation in the Bosnian war certainly exists, and that there is a certain "threshold of tolerance" on the part of the western governments.

At least three questions arise with the most recent crisis around the northern corridor: Will the FRY enter the Bosnian war even officially, who would issue the order for such a move, and what would be the objectives of waging war in such an operation? Absolute chaos prevails here: The federal and Serbian Constitutions are at variance with respect to decisions on war and peace. Affairs of defense and warfare are the concern of the Serbian and federal presidents, the Defense Ministry, the Supreme Military Council, the federal government, and the parliament. In addition, of course, to the General Staff.

Additional confusion has come from the statement of Mr. Radmilo Bogdanovic, vice president of the Chamber of Republics and Provinces of the FRY Assembly, who many consider the unofficial chief of the Serbian police—who said that "a possible attack on Brcko would be proclaimed aggression, because that is a free Serbian city." But he did not go so far as to say whether the response would be the entry of Serbia and Montenegro into the war.

A possible mobilization in that connection, of course, would from the outset be deprived of the participation of the Muslims from the FRY and probably that of members of other ethnic minorities as well. On the other side, the response of the "Orthodox" population is also under a big question mark. The experiences of the war in Slovenia, and even more in Croatia, provide best evidence of that.

The uncertainty is great and the "manning of peacetime units" would perhaps be better if those who were suspicious saw that the wartime tasks of the VJ, that is, defensive tasks, end on the right bank of the Drina. The prospects of that are not great so long as there is shooting on the other side of the Drina.

Avramovic Comments on Budget

94BA0292B Belgrade BORBA in Serbo-Croatian 14-15 May 94 p 8

[Text of interview with Dr. Dragoslav Avramovic, governor of the National Bank of Yugoslavia, by Jasna Kesic; place and date not given: "Monetary Projection Is a Devilish Thing"]

[Text] Very little is known about the monetary policy being conducted by the NBJ [National Bank of Yugoslavia] these past months. Dr. Dragoslav Avramovic, professor, has now been governor of the NBJ for two-and-a-half months, but it is difficult to escape the impression that during the whole time he has been much more concerned with carrying out the economic program than with his job as governor. That is why we asked him at the outset whether a projection of monetary policy had been adopted for the second quarter of this year, since half of that period has already passed.

"Let me say first that it is true that I have been involved with all kinds of things, but my legal responsibility is here in the NBJ, and any careful newspaper reader will see that I am very much involved in credit policy, in foreign-exchange policy, and so on. There are certain matters that I cannot fail to be involved with in the light of earlier history, and all those issues are related. You cannot examine credit policy without looking at budget policy, since these are two conflicting requirements," Dr. Avramovic explained.

"As for the projection of monetary policy, it was made last Tuesday evening in the federal government, but I am not at all enthusiastic about any projections. Monetary projection is a devilish thing, it depends on the rate of circulation of the money, and no one knows what the rate of circulation is. Accordingly, decisions on this have to be made from week to week, since our total supply of money in circulation is only 7 to 8 percent of the national income. That is about 1,200,000,000 dinars, of which about 360,000,000 have gone to the state to cover the budget deficit, about 300 million to buy foreign exchange, and all the rest to the economy."

[Kesic] Can this monetary policy which you are conducting be called "restrictive"?

[Avramovic] I have tried not to make it restrictive for the economy. We have managed to drop the interest rate from 30 percent at the beginning of the program's implementation to 9 percent. We will be restrictive when it comes to granting loans to the state, but monetary policy will be absolutely open when it comes to granting loans to the economy.

[Kesic] You announced that beginning in July the NBJ will no longer use primary note issue for credit to finance the deficits in the federal and two republic budgets.

[Avramovic] There is no primary issue for the state any more! Budgets will be replenished by borrowing on the capital market, but those amounts will be relatively modest. We want to put the state on notice that the NBJ cannot be its permanent banker. We have asked government bodies and agencies to prepare their projections for May, June, and July, and then we will see how to cover those deficits which they have, especially with respect to using commodity reserves. We are not going to kill the state, it is not a question of that, but it is a question of general priorities. I think that our credit policy should bring about a growth of production of 30 to 40 percent, and that will provide a solution to the budget problem, since fiscal revenues will increase 30 to 40 percent. That is the best way of replenishing the budget, not through direct deficit financing.

[Kesic] How independent is the NBJ in conducting monetary policy, especially when we know that the Serbian finance minister is a member of the bank's board?

[Avramovic] O.K., those are now new things which have come about. The most recent appointments in Serbia have altered relations on the board. It is obvious that now we must think about what we are going to do here next. But so far I have not had problems when it comes to the independence of the NBJ.

[Kesic] Is the NBJ board, which conducted monetary policy at the time when we had the highest inflation in the world, at all capable of conducting a policy of a stable exchange rate of the dinar?

[Avramovic] That is a hypothetical question. They were not the only people making decisions about monetary policy, there were general circumstances which brought that about. And you will understand me if I do not answer your question now. I can only say that Avramovic is independent in conducting monetary policy and that the NBJ is independent.

Central Bank Official on Revising Hyperinflation

94BA0293B Belgrade VREME in Serbo-Croatian 23 May 94 p 33

[Text of interview with Dr. Djordje Djukic, member of the Board of Governors of the National Bank of Yugoslavia, by Zoran Jelicic; place and date not given: "Justice and Economics"]

[Text] In the issue before last of VREME, we informed our readers of certain ideas launched in the closed meeting of the Economic Council of Serbia, including the fact that Dr. Djordje Djukic, member of the Board of Governors of the National Bank of Yugoslavia, spoke about the needs and opportunities for a partial revision of losses and gains to hyperinflation. Dr. Djukic felt that his presentation was incomplete, and was therefore inaccurately interpreted, so with this interview VREME is giving readers an opportunity to acquaint themselves with Djukic's ideas. The conversation naturally began with a question about the content of the proposal itself.

[Djukic] This is an idea that I think deserves serious consideration. One of the key issues in the context of hyperinflation is how to treat the question of the immense redistribution of income that occurs in the national economy. This idea is not new. The same dilemma has forced itself upon other countries that have gone through hyperinflation, for instance, in Germany in 1923, although hyperinflation there was less destructive, because their maximum rise of prices was 20.9 percent per month.

First, it is normal that under the conditions of mixed ownership there should be a much greater intermingling of the interests of socialized firms, which, being debtors, want there to be as large a volume of outstanding credit as possible, while, on the other hand, as depositors they naturally want their deposits to preserve their real value to at least some extent. Look what happened at the level of the entire banking system and within the individual commercial banks. At the general level, it is obvious that dinar capital is melting away: In January of last year, the share of dinar lending in total bank lendings was 45.28 percent—while at the end of that year it had fallen to 7.56 percent. That dinar subbalance was the basis for redistribution between debtors and creditors, but that is only a minor portion of the total redistribution. This means that small and medium-sized dinar savers have lost that property once and for all, that is, that they have been additionally impoverished, and it implies that the group of main users of credit—especially those in a position to quickly obtain information about primary note issue—were in a situation to quickly take advantage of the effects of those loans, were in a position to realize immense gains as debtors. In the third quarter of last year, which was not horribly hyperinflationary, the user of credit from primary note issue returned 1.4 percent of the funds borrowed. Those figures give you an idea of what happened in the last three months of last year, that is, you can conclude that every loan was in practice a gift.

[Jelicic] Are you actually proposing some kind of compensation because of the government's erroneous policy in view of the fact that the principal users of credit from primary note issue were precisely those business entities which the government, both Serbian and federal, was supporting?

[Djukic] The essence of it is this: The discount rate of the National Bank of Yugoslavia and the rate of interest on the money market were far below real interest rates. The essential thing is not who was the greatest beneficiary at that moment; the essential thing is that the melting away of capital in the banks occurred because of hyperinflation and the administrative prescription of interest rates. Those circumstances pushed some banks into heavy losses, while others were purchasing foreign exchange through their enterprises and thus preserving the value of their capital—precisely that portion which need not be on the balance sheet in our country, but in some foreign account.

If you look at this from the standpoint of the state, then you see two general negative lines: The first is the extensive melting away of bank capital, and the second is the unfair approach to individual banks by the very fact that the customers of those banks were given differing treatment by the state. Thus, a redistribution of power among stockholders occurred within the commercial banks.

[Jelicic] In what direction should the adjustment of hyperinflationary profit go if the "good" banks were the ones that sheltered dinars in foreign exchange and thereby preserved the property of their customers, and the "bad" ones were those which to the end extended credits to the economy and thus left their stockholders with worthless stock?

[Djukic] There are both coercive and voluntary mechanisms for that. For instance, insisting on the quota would mean concentration and merger of the banks. That is what they are doing in Slovenia, and it is possible for the state to consistently defend all the criteria prescribed for the business operation of the banks. That brings us back to an issue we cannot get away from, and that is the conditions under which the banks operated last year: Those which bought foreign exchange with the credits from primary note issue will easily meet the minimum of $1.5 million, but the banks which did not do so are now in a position of either merging with some other bank or looking for new payments into the bank's capital from the old founders or from new ones. It is clear that the old founders might well ask whether they should do this again, although they have probably offset the loss to their subscribed capital through the use of inexpensive credits from primary note issue. However, the word is that it cannot be left at that if we want clean balance sheets, that is, if we want restructuring of the banks.

[Jelicic] Are you thinking also of the public, and not just of the business community, in connection with the professional assessments that this state has "relieved" the public and the economy of about $2.5 billion through last year's hyperinflation?

[Djukic] I am speaking about all the users of credit and investors, but I do not know how that sum was calculated, although it confirms my thesis of the immense redistribution in our country. I repeat, everything is getting more and more complicated in our country because of the multiple forms of ownership, so that it is not possible to discover all the flows of primitive accumulation of capital, as I call it. It is impossible, and it would be unnecessary, to attempt to calculate all the hyperinflationary losses and gains, so that I advocate only a partial compensation of the greatest changes.

[Jelicic] How much would that "partial" be?

[Djukic] It would be logical, as far as the banks are concerned, for the users of credit to have to bring bank funds at least up to where they were before hyperinflation. That would at least offset the changes within the bank.

Budget Deficit Covered by Commodity Reserves

94BA0292A Belgrade BORBA in Serbo-Croatian 14-15 May 94 p 1

[Unattributed article: "Decision of the Federal Government"]

[Text] Belgrade—In its meeting yesterday the Federal Government adopted a decision to sell 50 million dinars worth of federal commodity reserves in May and June. That sum is to be used to cover the federal budget deficit during this period. This move was not possible earlier, since the necessary legal basis was created only in the last session of the Assembly, Dr. Radoje Kontic, federal prime minister, informed newsmen.

The deficit in the federal treasury has remained unchanged, but in practice this means that foreign-exchange reserves will be used to cover 335 million dinars of the federal state's deficit and the sale of some commodity reserves, another 180 million dinars.

It was explained to newsmen that 23 million dinars will be realized from the sale of farm products, about 5 million from energy products, and 17 million from the sale of industrial raw materials.

Serbia

Opposition Parties Welcome Geneva Agreement

LD0806215794 Belgrade TANJUG in English 2132 GMT 8 Jun 94

["Pool" item]

[Text] Belgrade, June 8 (TANJUG)—Opposition parties in the Yugoslav Republic of Serbia—the Democratic Party and the Democratic Party of Serbia—on Wednesday welcomed the signing of the agreement on a one-month ceasefire in the former Yugoslav Republic of Bosnia-Herzegovina, but underscored that this should be just the first step towards a lasting truce.

Assessing that even a brief truce was better than a continuation of the conflicts and that the Bosnian Serb delegation has once again shown, by accepting the agreement, that it wants the war to end, the Democratic Party pointed out that the best solution would be the acceptance of the Bosnian Serb delegation's proposal on a permanent ceasefire. By insisting on a one-month ceasefire, the Moslem side has shown that it is not interested in a serious negotiating process, because it is clear to everyone that a peace accord cannot be reached in such a short time, the Democratic Party said in its statement which was sent to TANJUG.

According to the ceasefire agreement which was signed on wednesday by special United Nations envoy for former Yugoslavia Yasushi Akashi and Vice-Presidents Ejup Ganic of the Moslem-Croat Federation in Bosnia-Herzegovina and Nikola Koljevic of the Bosnian Serb Republic, the warring sides have pledged to refrain from all military activities for one month as of 12:00 hrs local time on June 10.

Akashi had proposed a four-month ceasefire agreement, the Bosnian Serb delegation had been for a lasting ceasefire, but the Moslem- Croat side had insisted that the maximum period be four weeks.

In a statement sent to TANJUG, tha Democratic Party of Serbia assessed that the signing of the Geneva agreement was still far from lasting peace, but that it should nevertheless be applauded as the fwrst step towards an end to the human suffering. From the diplomatic aspect, it is good that the Bosnian Serb delegation, despite the evident concessions to the Moslems who have always so far undermined the peace process, has once again shown flexibility and signed the document which can lead to a lasting ceasefire and a demarcation process, the Democratic Party of Serbia said. The Democratic Party of Serbia has understanding for the Serb side's dissatisfaction in Geneva, but diplomatic patience is necessary at this time which will be certain to bring lasting peace to Bosnia-Herzegovina, the statement said.

The Democratic Party, underscoring that the Bosnian Serb delegation has shown once again by accepting even such a short ceasefire that it is taking the peace talks seriously and that it wants the war to end. The Democratic Party pointed out that it is therefore all the more surprising that Yugoslav President Zoran Lilic should have said that the Bosnian Serb leaders were not constructive, thus weakening their negotiating position at the time when the agreement was being signed. The Democratic Party of Serbia also criticized Lilic for this in a statement released earlier today. Lilic on Tuesday said that Yugoslav citizens cannot be hostages of any one leader or part of the Federal Republic of Yugoslavia, or the Bosnian Serb Republic, or the republic of Serb Krajina in former Croatia.

Officials Express Concern About Emigration

AU0806154694 Belgrade BORBA in Serbo-Croatian 8 Jun 94 p 4

[Report by B. Cani: "Defection or Theft of 'Brains'?"]

[Excerpts] Belgrade—"The emigration of experts from our country has assumed worrying proportions recently. We would like to establish the exact number of those who have left the country, try to reduce this number, and create the conditions for their return." This was stated yesterday by Ratko Uzunovic, assistant republican minister for science, technology, and development at the consultations devoted to this problem at the Institute for International Politics and Economy.

According to the information collected by this institute, 1,060 scientists have left the country in the last 15 years. However, as Dr. Vladimir Grecic said, this figure is not definite. There are many institutions and organizations that have not filled out the questionnaires that were sent to them. It is estimated that some 1,400 experts have left the country. These experts were mainly at the age considered to be best for creativity; 251 of them hold PhD's, 215 hold masters degree, and another 594 hold various degrees. The greatest number of those who have left are experts for electronics, physics, mathematics, chemistry, and medicine. [passage omitted]

The largest number of experts has gone to the United States (277), followed by Canada (194), Australia (82), Switzerland, Austria.... As stated yesterday, particularly worrying are the indications that some countries will increase the number of entry visas for experts in certain fields. According to the representative of the republican Ministry for Education, this represents additional (deliberate) form of sanctions against Serbia and Yugoslavia. It should be mentioned that Canada, for instance, has announced that it would grant around 10,000 immigration visas this year.

Fuel Company Says Supplies To Improve

AU0806190394 Belgrade Radio Beograd Network in Serbo-Croatian 1300 GMT 8 Jun 94

[Report by Vesna Tenjovic]

[Excerpt] The supply of gasoline will improve, but the prices of derivatives will not decrease for the time being, said Zivko Soklovacki, director of the Public Liaison Office of the Serbian Oil Industry [Naftna Industrija Srbije—NIS]. Vesna Tenjovic reports.

[Begin recording] Owing to great pressure, it is diesel that is mostly produced at the moment. The production is progressing according to plan and it should remain at last year's level. Rationalization within the oil industry has led to a decrease in expenses, which has created conditions for a 4.5 percent decrease in prices. However, owing to problems that arose in the earlier period, NIS believes that the price of derivatives should not be decreased immediately, but rather after the company has been consolidated. A decrease in taxes would also create leeway for decreasing prices. NIS is also preparing a program of rationalization and reorganization of the company, but the changes probably will not be great. [passage omitted] [end recording]

Judicial Process for Sandzak Muslims Questioned

94BA0296C Belgrade NIN in Serbo-Croatian 13 May 94 pp 20-21

[Article by Zvonko Prijovic: "The Missing Judge"]

[Text] Exactly a year after the arrest of the first group of Muslims, the trial of 25 men from Novi Pazar, Tutin, and Sjenica is still stuck at the beginning. The main reason is the unceasing search for a judge to try this case, and not one from Novi Pazar, where the trial is taking place, but from outside. First, Radomir Janicijevic and Nikola Jovicic, former judges from the Novi Pazar District Court, were "slated" for the trial, but both left the judiciary at exactly that time and joined the bar. Then, Dragoje Tapuskovic was brought in from Kraljevo to be the judge, and the trial began on 31 January, but then on 18 February it was interrupted, because Tapuskovic had a traffic accident in which he was badly injured.

Just the other day, three months after the trial was interrupted, Dragomir Lelovac of Kraljevo was finally designated the new presiding judge. In the meantime, Sava Teofilovic, a judge from Novi Sad, who by decision of the Supreme Court of Serbia was supposed to take over the trial in Novi Pazar, withdrew without giving his reasons. On the insistence of many attorneys that a new judge be designated as soon as possible, Nuho Mehovic, president of the district court in Novi Pazar, said that he was unable to form a new panel without consent of the presiding judge of the Supreme Court of Serbia, and he referred the attorneys to Caslav Ignjatovic.

By all appearances, it seems that the indictment charging 25 people with threatening the territorial integrity of the FRY [Federal Republic of Yugoslavia] dictates this kind of behavior by representatives of the supreme and district courts, but many people are inclined to believe that the trial is being dragged out and a new judge is being constantly sought so that the case would not be conducted by any of the judges (Muslims) from Novi Pazar.

The Turkish School

The entire case began in May of last year with the arrest of four Muslims in whose possession, according to the news release of the Serbian MUP [Ministry of Internal Affairs], was found a large quantity of arms, explosives, and war plans. Arrests continued in the days that followed, and soon there were 25 persons of Muslim nationality behind bars. The indictment then said that the objective of the arrestees was to create by the use of force an independent state of "Sandzak" from a part of the territory of the FRY, that they drew up war plans and other plans to that end, that they established military and police units, and that they acquired large quantities of arms and explosives without authorization.

Not long after that, an indictment was returned against Sulejman Ugljanin, leader of the SDA [Democratic Action Party] for Sandzak, who at that time was outside the country. Although from the very outset Ugljanin has been mentioned as the main culprit and was mentioned in connection with the first arrests, he left the country quite legally. In any case, one group of members of the Serbian MUP nevertheless arrived in front of his house to arrest him, that is, to detain him. We will soon learn whether the state agencies here intentionally gave the appearance of releasing Ugljanin to leave or this was a mere coincidence. Those who are very familiar with the situation in Sandzak believe that it was the former, because in that way they prevented him from returning to the country.

Sokol Ahmetovic, another of the key people in all of this, was also outside Yugoslavia when the indictment was brought. He is charged with organizing the departure of young Muslims for military training in Turkey. Back in the middle of last year, BORBA carried the story of one of them who went through that training, and recently our newsman heard the same story in Rudo. A young man from the vicinity of Prijepolje, who spent some 40 days in a military camp near Izmir along with 80 other young men from Sandzak, is in the prison there. According to his account, a fair number of those were convinced that they were going to Turkey to work, but once they got there they were compelled by threats to obey, and all of this was aimed at creating a free Sandzak to which they would return as military officers. However, after they returned to the country he and many others were forced to flee either abroad or to Bosnia, where they joined the Muslims. And that is how this lad was arrested—in the attempt to get through to Gorazde or Sarajevo.

Showdown With the SDA

Because both Ugljanin and Ahmetovic are inaccessible to judicial authorities, Milan Veselinovic, federal deputy of the SRS [Serbian Radical Party] from Novi Pazar, predicts "that all the blame will be put on those 25 arrestees, while the main culprits and ideologues will remain protected and unpunished." Zoran Jovanovic, chairman of the Novi Pazar Committee of the SRS, says that the Muslims have created paramilitary units, have sent their children for military training, so that tomorrow, if needed, they could fight against the Serbs. At the same time, the SPO [Serbian Renewal Movement] in Novi Pazar says in its news release that "the way in which this case is being treated is yet another political act that serves to disgrace the Serbian nation and state."

The SDA for Sandzak sees this entire trial as an attempt to settle accounts with the Muslim people, but it is most likely that the trial will also make it easier to attack that party, which frequently represents itself as the sole legitimate representative of the Muslims in Sandzak. This can be read between the lines of the statement by Radmilo Bogdanovic made recently in Prijepolje:

"The elements have long existed to ban the operation of the Democratic Action Party. We did not do that, because this would have been interpreted as a threat to their rights. It would only have brought us foreign delegations, because Ugljanin has turned to everyone in the world to say that the 'Muslims are threatened.'"

Numerous defense attorneys have been thinking in precisely those terms in the statements they have made so far. Thus, Rajko Danilovic says that "this trial is obviously aimed at a showdown between the incumbent regime and the SDA, and the possession of arms is a commonplace in ethnically mixed communities." That is close to the thinking of Azem Vlasi, who says: "A trial is being prepared for these citizens because they dared to think about whether they could do something if necessary to the end of their own self-defense, that is, defense of their people and the territory where they live. And the need for defense is not some function or consequence of a persecution mania, but a part of our reality. It is hard to believe that there is anyone who is not thinking about this today even in the situation when the government is protecting him, but not in this case."

Seven of the arrestees recently wrote to the Serbian justice minister and said in their letter: "It seems that in our case no one is in a hurry to hear and prove the truth. Although a year has already passed, we are still hostages to those who are hunting fabricated enemies. The proceedings in the investigation, seeking and bringing in judges from outside, although there are five judges in the district court in Novi Pazar, bring us to doubt the objectivity of this court. Do we have to be tried by some obedient Serb, against all legal and moral standards?"

Unsolved Hijacking

The upcoming trial in Novi Pazar, whose resumption is scheduled for 25 May, must nevertheless answer the key question: Did the arrested Muslims intend to redraw borders by force under the sponsorship of the SDA, or did they arm themselves for self-defense? Provided the trial is legal, and not politically colored.

When we bear in mind the way in which problems are being solved in our region and the bloody outcome of the Yugoslav war drama, it will not be easy to distinguish what part was a need to collect arms for security and what part consisted of extremist political objectives in order to create the so-called republic of Sandzak. In the section that borders Bosnia and Herzegovina, the Muslims have not been living in peace for the last two or three years. This has been most pronounced in Priboj and Pljevlja Opstinas. Many people remember two hijackings—17 Muslim inhabitants of the village Sjeverin were taken from a bus in Mioce, and the same number of Muslims were taken from a train standing in the Strpci station. Even today, nothing has been officially solved concerning their fate. Only that recently suspicion fell on one person for kidnapping them.

So, then, will the weapons and war plans that were found be sufficient grounds to support the charge that the accused were really threatening the territorial integrity of a state which was unable to guarantee them any kind of security? Or will the trial try to prove that the threat to the Muslims did not evoke the extremism, but that from the very outset this was a characteristic of the leading circles in the SDA, in particular its leader Sulejman Ugljanin, who even before the war in the former Bosnia and Herzegovina was declaring "We will either die or be free"?

Like many former leaders of the SDA, Ugljanin is outside Yugoslavia. The people who will have to continue to live together in Sandzak or Raska Oblast have remained here.

Montenegro

Republic's Economy Reportedly Nearing Collapse

94BA0296A Belgrade NIN in Serbo-Croatian 13 May 94 p 26

[Article by Dragan Djuric: "False Hopes"]

[Text] They have already begun to beat the band about the success of the second phase of the Avramovic program—invigoration of production. The key argument used is the figure of no less than a 21.3-percent increase in Yugoslav output between February and March.

In Montenegro, however, the "first successful results" are proving to be a pure illusion. That is, whereas in Serbia the March level of output really was 22.6 percent higher than in February, the Montenegrin economy is continuing to record a drop of about 6.5 percent.

The program for the country's monetary reform and economic recovery, recalls Miodrag Causevic, vice president of the Montenegrin Chamber of Commerce, was commissioned as a project by the Serbian Government and the president of the Republic of Serbia, and only later, on grounds that it was the best of all the stabilization programs that have been requested, was it submitted to the federal government and almost thrust upon it. Even Prime Minister Kontic did not immediately accept it with open arms, while the Montenegrin Government, Causevic recalls, made a number of objections, suggestions, and warnings. On the so-called team of some 40 experts headed by Dr. Avramovic, there was only one man from Montenegro—Dr. Janko Radulovic, secretary of the republic Secretariat for Development. The objections of the Government of Montenegro pertained above all to the need to respect specific structural needs and interests of the Montenegrin economy, which had no place in the Avramovic program. In that connection, they particularly accentuated the problems of the maritime industry and tourism.

"The main reasons why the Montenegrin economy has not felt more essentially the favorable aspects of the functioning of the Avramovic program up to this point," Causevic says, "lie in its more pronounced dependence on exports and the dominant role of the heavy industrial sectors."

The best example of the impotence of any measures of an internal nature is offered by the situation in maritime shipping. In the best of times, this industry brought Montenegro about one-fifth of its total inflow of foreign exchange. Its importance to this republic can also be seen from the fact that if Montenegro were viewed as an independent state, it would be the strongest maritime power in the world if the size of its maritime fleet were compared to the size of the country! Today, its fleet of 38 vessels, with a total capacity of almost 1 million metric tons, is tied up and captive, with immense daily costs, which are becoming more and more difficult to cover.

Radomir Mugosa, secretary of the general association of the maritime industry in the Montenegrin Chamber of Commerce, points out that two companies—Jugooceania of Kotor and Prekookeanska plovidba of Bar—although before adoption of Resolution No. 820 they were registered under a foreign flag, were literally caught in the mousetrap of the sanctions. Not a single vessel is sailing, some have been anchored by the banks as a guarantee for collection of debts, others are tied up at the dock under the pressure of the sanctions, while almost half of the fleet "hid" in China, which it dares not leave.

Last year, these companies had to sell four vessels in order to cover current costs. At the same time, the empty docks in the port of Bar, with a capacity for handling almost five million tons of cargo a year, and the shipyards in Bijela, which can repair about 100 vessels a year, are gloomy. One part of the port has been taken over by the fleet of the Yugoslav Navy, and the launches with which the Italians are carrying on a smuggling operation (mainly tobacco) with Montenegro are repaired from time to time in the shipyard. And that is all.

There is no chance at all, Mugosa explains, for this branch of the economy, which has immense importance to Montenegro, to get on its feet unless the sanctions are removed.

The electric power industry, which has a share of 22 percent in total Montenegrin output, coal production, which accounts for 15 percent of output, and ferrous and nonferrous metallurgy, that is, the Niksic Steel Mill and the Podgorica Aluminum Combine, whose share is greater than 20 percent, are also suffering great troubles. In the Montenegrin Chamber of Commerce, they point out that the Avramovic program helps these industries only indirectly and that some growth of production might be expected only if small alternative production programs are started, using unsuccessful capacity that already exists.

The Podgorica Aluminum Combine, for example, has managed to maintain production at about 40 percent of capacity, while at the heart of the combine, the electrolysis operation is operating at only one-fifth of capacity. The value of the aluminum produced and held in inventory is estimated at about $100 million. The need for alkalies, resins, and petroleum coke (all imported) is so great that it is almost impossible to obtain them through the usual smuggling channels. What is more, there is also some doubt about obtaining alumina from Zvornik the because of exceptional increase in shipping costs since adoption of the new dinar. If we include in this survey Obod of Cetinje, which is operating at about 15 percent of capacity and importing all of 70 percent of components for production, then we get a clearer idea of what it means to say "dependence of the economy on imports," and therefore the significance of isolation.

Increasingly frequent charges are also coming from the largest Montenegrin firm to the effect that instead of cooperation in carrying out programs for economic recovery, they are encountering disloyal competition on the part of firms in Serbia. For instance, at the Niksic Steel Mill they say that firms from Serbia are importing more and more steel on the basis of various compensation deals, although the Niksic collective has on inventory more than 13,000 tons of various types of quality steels. At the same time, scrap iron is being exported from Serbia more and more, although Niksic is shutting down more and more frequently and for longer and longer periods of time.

Anton Kastrati, director of the salt plant at Ulcinj, explicitly accuses Serbia of importing 50,000 tons of salt in violation of a contract and thus jeopardizing this year's salt production. And the warehouses are full.

At Jugopetrol in Kotor they also have objections. It is extremely difficult to obtain fuel abroad, and it is not uncommon for it to cost sixfold more than it would have otherwise. Customs duties are added to that, so that intolerably high fuel costs are being imposed on the economy. It is as though Yugoslav sources of petroleum do not exist for Montenegro. Recently, none other than Prime Minister Milo Djukanovic said that Montenegro was not getting even a drop from domestic production.

All in all, the Montenegrin economy is on its knees. For years now, its production has been dropping faster and faster and farther and farther. If the 1992 level of output is taken as the basis of comparison, then what was achieved in the relatively peaceful year of prewar 1989 would stand at 76, and last year's results at minus 60. The level of output at the moment, compared to March of last year, which was disastrous, is down about 20 percent. To be sure, the statistics show that some industries with a total share of less than some 10 percent in output have nevertheless come to life.

In spite of Avramovic's optimism, the Montenegrins are worried about how to keep production from dying altogether.

Kosovo

Serbian, U.S. Officials Discuss Kosovo Situation

LD0806143794 Belgrade TANJUG Domestic Service in Serbo-Croatian 1302 GMT 8 Jun 94

[Text] Pristina, 8 Jun (TANJUG)—Kosovo District leader Milos Simovic, and provincial information secretary Bosko Drobnjak had talks in Pristina today with Jonathan Moore, head of the State Department desk for Serbia and Montenegro, about the political situation in the province, the position of national minorities, and the possibilities for restoring dialogue.

According to a public statement, Simovic said that the political and security situation in the province is better this year because more ethnic Albanian citizens have been meeting their obligations toward the state. This was clearly influenced by official statements by a number of diplomats and representatives of the European states who, while visiting Kosovo and Metohija, presented their governments' clear stand regarding the inviolability of the borders of the Republic of Serbia and Yugoslavia.

According to the statement, Jonathan Moore stated that his country is abiding by the stance which rules out the possibility of secession by any one part of the Republic of Serbia and Yugoslavia. Milos Simovic stated that even though it has not been officially registered as a party with the relevant republican ministry, the Democratic Alliance of Kosovo has not experienced any obstacles nor pressures in freely performing its activities, despite the fact that it has been at the forefront of the anti-Serbian campaign.

The talks were also attended by Matthew Palmer, a representative of the U.S. Embassy in Belgrade.

Albanians Charged With Preparing Secession

AU0806205294 Tirana TVSH Television Network in Albanian 1800 GMT 8 Jun 94

[Text] [Announcer] The Serbian regime continues to concoct new trumped-up trials against Albanians. Meanwhile, the pursuit of Kosovar youths with the aim of forcefully sending them to the army of the Serbian aggressor do not cease. Mehmet Haziri reports from Prishtina:

[Haziri] The Serbs installed in the Prishtina District Court filed a suit against a group of Albanians who had allegedly received out special training in Albania during 1992-93. According to the articles published today by the Serbian newspapers JEDINSTVO and BORBA, this group is made up of Femil Estrani, Shkelzen Bajrami, Nexhmedin Sabriu, Lul Heti, Beqir Muleti, Hysni Oranca, and Bajram Galapeni, inhabitants of the communes of Gllogovc, Shtime, Istog, Ferizaj, and Lipjan. They are accused of having allegedly prepared, in collaboration with several other persons, the violent secession of Kosova [Kosovo] and other areas in former Yugoslavia that are inhabited by Albanians in order to form an independent state or to annex it to Albania.

The indictment also stresses that this group of Albanians, on the initiative, as it is claimed, of the illegal government of the Republic of Kosova and even of its prime minister, Dr. Bujar Bukoshi, had allegedly taken part in a special intelligence and military training in Lac and Labinot near Elbasan.

The fabrications by the Serb Investigation Office and Court also stress that wearing the uniform of the Albanian Army, these youths from Kosova, after taking the oath, had allegedly been trained to use all kinds of arms and explosives, as well as to utilize all the military skills to carry out, as asserted, diversionist and terroristic acts.

The Serbian mass media state that all the members of this group had nick-names and acted in full conspiracy. The trumped-up trials of Albanians on charges of having received military training in Albania have recently been held in Gjilan, Peje, and in several other centers of the republic of Kosova.

Ethnic Albanian Accused of 'Military Exercises'

AU0806120894 Tirana RILINDJA in Albanian 29 May 94 p 16

[Unattributed report: "Young Man Accused of 'Military Exercises'"]

[Text] At the Serbian court in Gjilan [Gnjilane], the trial has begun of Mejdi Qerimi from Gjelekara near Viti [Vitina], accused of the crime of so-called "hostile activity." A report in the newspaper JEDINSTVO states that Mjedi Qerimi is charged with allegedly having learned how to use weapons at a camp near Elba Ban in 1993. The accusation charges him with having trained for a possible war in Kosova. Because the defense counsel insisted on the presence at the trial of two witnesses who are at present in Nis military prison, the trial was adjourned until 14 June.

Vojvodina

Agoston Discusses Province's Autonomy

94BA0292D Belgrade BORBA in Serbo-Croatian 14-15 May 94 p 6

[Interview with Andras Agoston, president of the Democratic Community of Vojvodina Hungarians, by Zuzana Serences; place and date not given: "Agoston Discusses Vojvodina Autonomy"]

[Text] Visions of the "Bosnian syndrome" in Vojvodina are not new. At one time Mr. Nenad Canak said that there was a danger of the conflict being carried over into Vojvodina if the DZVM [Democratic Community of Vojvodina Hungarians] persisted and continued to seek realization of the concept of three-tier autonomy for Vojvodina Hungarians. This is now being repeated by the president of the Reform Democratic Party of Vojvodina [RDSV], says the leader of the DZVM, Andras Agoston, in commenting on objections to their concept of Hungarian autonomy, which contend that this represents an extreme danger to the stability of this region and could result in a conflict such as we have in Bosnia, as Dr Dragoslav Petrovic warned recently in BORBA. Agoston responds to his "critics":

"The essence of the mistake both of them make is that the 'Bosnian syndrome' in fact requires that both sides be armed. The Hungarians in Vojvodina are not armed. Accordingly, there can be no conflict, but only atrocities, that is, violence against one collectivity, difficult situations caused by an irresponsible approach of paramilitary units, or certain other forces. There can be no question here of the kind of conflicts that are involved in Bosnia and certain other parts of the former Yugoslavia. We think that the concept we are examining is a model acceptable to Europe which makes it possible to achieve equality of parts of nationalities in a particular region. We are prepared to fight for that, but in a political struggle and in a contest of arguments."

[Serences] What do you say in response to the assessments of the RDSV president that the DZVM is actually "serving" the SPS [Socialist Party of Serbia] with its neutral position on certain essential issues, thereby weakening the opposition movement, waiting for revenge?

[Agoston] We have always said, and it has been borne out several times, that the opposition is not united and that one cannot speak of it as a coherent force. Aside from that, the DZVM has been presenting its demands to the Parliament and Government of Serbia, seeking three-tier autonomy, and it must be borne in mind that achievement of that concept is not possible with the consent of just one party. What is essential to us—that is the essence of this democratic demand—is the support of forces in Parliament, since only in that way can we expect the concept to be realized in practice, can we expect a development in international relations, which will help to make it clear to all the leading political forces in the country that the DZVM concept is actually democratic and pulls all of us out of this crisis. It is with that in mind that we have always addressed Parliament, the government, and the presidents of the state, aware that only a certain kind of political consensus can bring us results. Incidentally, with respect to the democratic fight to change the entire system, we will always participate on the side of those who strive for that, consistent with our political strength. However, we nevertheless think that only the Serbs can adopt democracy for Serbia and Serbs, that is, those large political parties which have sufficient prestige and political legitimacy within that nationality.

[Serences] With respect to the DZVM, what is the situation inside the organization? On the eve of the recent election conference in Senta, there was a danger that the DZVM would split.

[Agoston] The most important thing is that in Senta we arrived at a democratic decision to support the democratic course pursued up to now by the DZVM, the essence of which is to constantly repeat demands for autonomy and at the same time the desire to enter into dialogue with the bodies of government and political forces which can take us to that goal. We received more than two-thirds of the vote, and this political movement has absolute legitimacy. In addition, and this is at least as important, we managed to get free of problems of a financial nature and to defend ourselves against an attempt to exert political influence on the DZVM from outside, meeting the challenge when financial resources were offered.

[Serences] Your recent statement in Budapest, in which you allowed the possibility that perhaps that autonomy might not be achieved and that could then be grounds for a fairly large-scale expulsion of the Hungarians here, evoked considerable response.

[Agoston] Our fundamental belief is that autonomy will come, since this is the only realistic solution based on principle. We also can see this from positions taken by the highest representatives in the U.S. Administration. But we are realists, we can also imagine a situation in which recognition of the autonomy of Hungarians simply does not happen. Since we consider autonomy the legal framework for preserving the ethnic identity of Vojvodina Hungarians, we think—if that should not occur—that probably a large number of Hungarians would think that there is no point in staying here. Of course there always is that worst-case scenario, the disastrous one: a general conflict, if war flared up even in these parts, and there would be atrocities against Hungarians in Vojvodina. We cannot preclude that possibility, but we are not reckoning on those dangers, we don't think them realistic, and we are aiming our political struggle towards democratic achievement of our objective.

[Serences] Was the recent answer from Mr. Lilic, president of the FRY [Federal Republic of Yugoslavia], to your written request for the DZVM to be included in preparation of the new law on minorities the first time any letter of yours received an answer from the top level of government?

[Agoston] Yes, the first time.

[Serences] And did Mr. Lilic's response result in the actual inclusion of the DZVM in preparation of the law?

[Agoston] We were not included in the proceedings. But that does not worry us too much, since the international factor is not looking to see whether such a law exists or not, but is looking specifically at the situation and listening to the legitimate representatives of the minorities. We think that no one can evade us on this issue since we are legitimate representatives of the Hungarians in Vojvodina, nor can any law be adopted without involving us essentially, and that means politically, in its adoption. We are continuing to seek dialogue with the authorities in Serbia and in Yugoslavia, and we believe that only on that basis will there be solutions satisfactory to both sides.

[Serences] We hear rumors that you are preparing to leave the country with your family?

[Agoston] Such rumors have not reached me, but, no matter, my answer is this: I am staying, and I believe that we will get our autonomy in the foreseeable future and that all these political conflicts will die down, and that we will live beside one another peacefully, and, I hope, contentedly.

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